HALF-YEAR

FINANCIAL REPORT

AT 30 JUNE 2017

Disclaimer

This Half-Year Financial Report for 2017 has been translated into English solely for the convenience of the international reader. In the event of conflict or inconsistency between the terms used in the Italian version of the report and the English version, the Italian version shall prevail, as the Italian version constitutes the sole official document

LEONARDO

CONTENTS

Boards and Committees

BOARD OF DIRECTORS
(for the three-year period 2016 - 2019)

GIOVANNI DE GENNARO
Chairman

ALESSANDRO PROFUMO
Chief Executive Officer

GUIDO ALPA
Director (a, c)

LUCA BADER
Director (a, d)

MARINA ELVIRA CALDERONE
Director (b, c)

PAOLO CANTARELLA
Director (a, c)

MARTA DASSU'
Director (c, d)

DARIO FRIGERIO
Director (b, c)

FABRIZIO LANDI
Director (a, d)

SILVIA MERLO
Director (a, d)

MARINA RUBINI
Director (b, c)

ANTONINO TURICCHI
Director (b, c)

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LUCIANO ACCIARI
Secretary of the Board of Directors

BOARD OF STATUTORY AUDITORS
(for the three-year period 2015 - 2017)

Regular Statutory Auditors

RICCARDO RAUL BAUER
Chairman

NICCOLÒ ABRIANI

LUIGI CORSI

FRANCESCO PERRINI

DANIELA SAVI

Alternate Statutory Auditors

STEFANO FIORINI

MARIA TERESA CUOMO

INDEPENDENT LEGAL AUDITORS
KPMG S.p.A.
(for the period 2012 - 2020)

a. Member of the Control and Risks Committee
b. Member of the Remuneration Committee
c. Member of the Nomination, Governance and Sustainability Committee
d. Member of the Analysis of International Scenarios Committee

Report on operations at 30 June 2017

Group results and financial position

Key Performance Indicators ("KPI")

	June 2017	June 2016	Change	2016
New orders	5,061	12,867	(60.7%)	19,951
Order backlog	33,923	34,996	(3.1%)	34,798
Revenue	5,326	5,413	(1.6%)	12,002
EBITDA	759	786	(3,4%)	1.907
EBITA	482	472	2.1%	1,252
ROS	9.0%	8.7%	0.3 p.p.	10.4%
EBIT	400	399	0.3%	982
EBIT Margin	7.5%	7.4%	0.1 p.p.	8.2%
Net Result before extraordinary transactions	194	200	(3.0%)	545
Net result	194	210	(7.6%)	507
Group Net Debt	3,577	4,233	(15.5%)	2,845
FOCF	(531)	(793)	33.0%	706
ROI	12.7%	11.8%	0.9 p.p.	16.9%
ROE	8.8%	9.4%	(0.6) p.p.	12.6%
Research and development expenses	663	621	6.8%	1,373
Workforce	45,655	46,732	(2.3%)	45,631

Please refer to the section entitled "Non-GAAP performance indicators" for definitions.

In the first half of the 2017 financial year, Leonardo achieved positive results and an improving financial performance. This confirmed the positive trend and good progress recorded over recent years. Specifically, the first half of the financial year showed the following aspects:

- new orders exceeding €bil. 5. The figure for the first half of 2016 included the non-recurring effect of the acquisition of the EFA Kuwait contract for an amount of €bil. 7.95, net of which the amount of orders shows an increase of 3% in 2017;
- a further increase in profitability, with a ROS that rose from 8.7% to 9.0%, due in large part to the *Electronics, Defence & Security Systems* and *Aeronautics*;
- a net result before extraordinary transactions substantially in line with the first half of 2016, although without the exchange differences and income from fair value measurements which financial expenses benefitted from in 2016;
- material improvement in cash-flow for the period, albeit negative in line with usual first half seasonality, showing an improvement exceeding 30% in comparison with the first half of 2016, benefitting from the receipt of the second advance payment on the EFA Kuwait contract;

- a 15% reduction in Group Net Debt compared to 30 June 2016, thanks to a positive cash performance during the second half of 2016, which was partly absorbed by the outlay arising from the acquisition of Daylight Solution and of the additional stakes in Avio (for an overall amount of €mil. 168) as well as by the payment of dividends (€mil. 81).

The primary changes that marked the Group's performance compared with that of the same period of the previous year are described below. A more thorough analysis can be found in the section covering the trends in each business segment.

	30 June 2017				
	New orders	**Order backlog**	**Revenues**	**EBITA**	**ROS**
Helicopters	1,142	9,799	1,598	174	10.9%
Electronics, Defence & Security Systems	2,360	11,488	2,456	200	8.1%
Aeronautics	1,780	13,445	1,448	132	9.1%
Space	-	-	-	27	n.a.
Other activities	34	142	159	(51)	(32.1%)
Eliminations	*(255)*	*(951)*	*(335)*	-	*n.a.*
Total	**5,061**	**33,923**	**5,326**	**482**	**9.0%**

	30 June 2016				
	New orders	**Order backlog at 31 Dec. 2016**	**Revenues**	**EBITA**	**ROS**
Helicopters	958	10,622	1,708	202	11.8%
Electronics, Defence & Security Systems	2,490	11,840	2,437	177	7.3%
Aeronautics	9,485	13,107	1,379	115	8.3%
Space	-	-	-	29	n.a.
Other activities	10	174	152	(51)	(33.6%)
Eliminations	*(76)*	*(945)*	*(263)*	-	*n.a.*
Total	**12,867**	**34,798**	**5,413**	**472**	**8.7%**

	Change %				
	New orders	**Order backlog**	**Revenues**	**EBITA**	**ROS**
Helicopters	19.2%	(7.7%)	(6.4%)	(13.9%)	(0.9) p.p.
Electronics, Defence & Security Systems	(5.2%)	(3.0%)	0.8%	13.0%	0.8 p.p.
Aeronautics	(81.2%)	2.6%	5.0%	14.8%	0.8 p.p.
Space	n.a.	n.a.	n.a.	(6.9%)	n.a.
Other activities	240.0%	(18.4%)	4.6%	0.0%	1.5 p.p.
Eliminations	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*
Total	**(60.7%)**	**(2.5%)**	**(1.6%)**	**2.1%**	**0.3 p.p.**

Commercial performance

New orders acquired in the first six months of 2017, net of the abovementioned EFA Kuwait supply contract gained during the first half of 2016, highlight good growth especially attributable to *Aeronautics* (+ 16%), which took advantage of new orders for the support services for the EFA and C27J aircraft in the *Aircraft* division and the B787 aircraft in the *Aerostructures*; and to *Helicopters* (+19% compared to the very negative figure posted during the first half of 2016, specifically due to higher new orders for AW139,) despite many of Helicopters' end-markets continuing to be uncertain and challenging. Elsewhere, the *Electronics, Defence & Security Systems* showed a slight decline in new orders (-5%), which was mainly attributable to the *Land&Naval Defence Electronics* division, which benefitted from some major new orders in 2016, while the *Airborn & Space Systems* division recorded a significant improvement, due to the contract awarded by the UK Ministry of Defence for the upgrading of identification systems for more than 350 air, land and naval platforms.

The book-to-bill ratio is equal to 0.95, showing an improvement (net of the effect of the EFA Kuwait contract) compared to 0.91 in 2016. The order backlog, considered in terms of its workability, ensures more than three years of production for the Group.

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Business performance

(€ millions)	*Note*	*For the Six months ended 30 June* 2017	2016	*Change*	*% Change*
Revenues		5,326	5,413	(87)	(1.6%)
Purchases and personnel expenses	*(*)*	(4,637)	(4,731)		
Other net operating income/(expenses)	*(**)*	(21)	12		
Equity-accounted strategic JVs		91	92		
Amortisation, depreciation and impairment losses	*(***)*	(277)	(314)		
EBITA		**482**	**472**	**10**	**2.1%**
ROS		*9.0%*	*8.7%*	*0.3 p.p.*	
Non-recurring income/(expenses)		-	(3)		
Restructuring costs		(32)	(22)		
Amortisation of intangible assets acquired as part of business combinations		(50)	(48)		
EBIT		**400**	**399**	**1**	**0.3%**
EBIT Margin		*7.5%*	*7.4%*	*0.1 p.p.*	
Net financial income/(expenses)	*(****)*	(155)	(121)		
Income taxes		(51)	(78)		
Net Result before extraordinary transactions		**194**	**200**	**(6)**	**(3.0%)**
Net result related to discontinued operations and extraordinary transactions	*(*****)*	-	10		
Net result		**194**	**210**	**(16)**	**(7.6%)**

Notes to the reconciliation between the reclassified income statement and the statutory income statement:
(*) "Purchases and Personnel expense" net of restructuring costs and non-recurring income/(costs);
(**) Includes "Other operating income/(expenses)", net of restructuring costs and non-recurring income/(costs);
(***) Includes "Amortisation and depreciation" net of the portion referable to intangible assets acquired as part of business combinations and "Impairment"(net of that included in non-recurring income/(costs));
(****) Includes "Financial income/(expense)" and "Share of profits (losses) of equity-accounted investees" (net of the results of strategic JVs);
(*****) Includes "Profit (loss) from discontinued operations" and "Gains (losses) relating to extraordinary transactions (acquisitions and disposals)".

Revenues for the first half of 2017 are in line with the corresponding period in 2016, excluding the negative exchange rate effect deriving from the conversion of revenues in GBP, while under the current exchange rates these showed a slight reduction (-1.6%). This was in part down to a reduction in the *Helicopters*, which were affected by the delays recorded in production concerning some product lines in the first months of the year; and to the *Aeronautics* which started to benefit from revenues from the EFA Kuwait programme.

EBITA, despite being affected by the negative exchange rates said above, showed an improvement equal to €mil. 10, with a ROS increasing from 8.7% to 9.0%, supported by the results recorded in *Aeronautics* and *Electronics*, *Defence and Security Systems* which offset the drop in *Helicopters*, mainly due to the lower volumes mentioned above.

The **Net result before extraordinary transactions** was substantially in line with the level achieved during the first half of 2016 (€mil. - 6), despite an increase in restructuring costs and financial charges (these benefitted from positive foreign exchange differences in 2016, which were also reflected in the fair value of derivatives, with a delta of + €mil. 30 compared to 2017), thanks to an improved EBITA and a reduced tax rate. The **Net Result** for the period is equal to the net result before extraordinary transactions on account of the absence of extraordinary transactions (in contrast, the first half of 2016 benefitted from the capital gain arising from the disposal of Fata, equal to €mil. 10).

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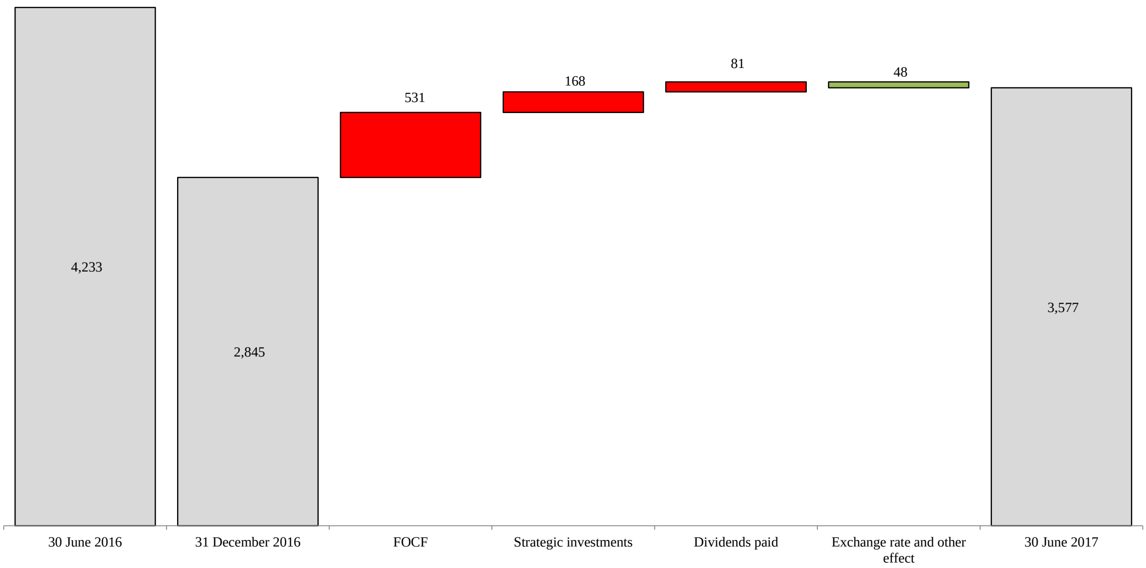
Financial performance

	For the Six months ended 30 June		***Change***	***% Change***
(€ millions)	***2017***	***2016***		
Cash flows used in operating activities (*)	(465)	(789)		
Dividends received	206	228		
Cash flows from ordinary investing activities (**)	(272)	(232)		
Free Operating Cash Flow (FOCF)	**(531)**	**(793)**	**262**	**33.0%**
Strategic investments (***)	(168)	-		
Change in other investing activities (****)	9	(7)		
Net change in loans and borrowings	480	(138)		
Dividends paid	(81)	-		
Net increase (decrease) in cash and cash equivalents	**(291)**	**(938)**		
Cash and cash equivalents at 1 January	2,167	1,771		
Exchange rate differences and other changes	(34)	(22)		
Cash and cash equivalents at 30 June	**1,842**	**811**		

(*) Includes "Cash flows used in operating activities", net of debt payments pursuant to Law 808/1985;
(**) Includes "Cash flow generated from (used in) investing activities", net of debt payments pursuant to Law 808/1985 and dividends collected;
(***) Includes the portion of "Other investing activities" classified as "Strategic investments";
(****) Includes "Other investing activities", net of dividends collected and operations classified as "Stragegic transactions".

In the first half of 2017 the cash flow performance posted a negative value of €mil. 531, in line with the usual trend in the Group's performance to report considerable cash absorptions in the first quarters, while also showing a significant improvement compared to the value posted during the first half of 2016, also as a result of the collection of the second advance payment on the EFA Kuwait contract.

The Net Debt showed a material reduction compared to 30 June 2016, from € 4,233 to € 3,577 (-15%). Compared to 31 December 2016, the changes were affected by the usual cash absorption in the first months of the financial year, as well as by the cash-out linked to the acquisition of Daylight Solutions (€mil. 123), the additional stakes in Avio (€mil. 45) and the payment of dividends for €mil. 81.



Net invested capital rose compared with the figure for 31 December 2016 due to the increase in net working capital, resulting from the seasonal fluctuation in cash flows, with capital assets that slightly deceased mainly as a result of the exchange rate effect on the conversion of the amounts in foreign currencies.

	Note	*30 June 2017*	*31 December 2016*	*30 June 2016*
(€ millions)				
Non-current assets		11,775	12,119	12,101
Non-current liabilities		(3,112)	(3,373)	(3,546)
Capital assets	*(*)*	**8,663**	**8,746**	**8,555**
Inventories		4,234	4,014	4,379
Trade receivables		6,429	5,965	6,429
Trade payables		(9,538)	(9,295)	(9,163)
Working capital		1,125	684	1,645
Provisions for short-term risks and charges		(773)	(792)	(660)
Other net current assets (liabilities)	*(**)*	(1,024)	(1,434)	(1,106)
Net working capital		**(672)**	**(1,542)**	**(121)**
Net invested capital		**7,991**	**7,204**	**8,434**
Equity attributable to the Owners of the Parent		4,413	4,357	4,197
Equity attributable to non-controlling interests		15	16	19
Equity		**4,428**	**4,373**	**4,216**
Group Net Debt		**3,577**	**2,845**	**4,233**
Net (assets)/liabilities held for sale	*(***)*	**(14)**	**(14)**	**(15)**

Notes to the reconciliation between the reclassified and the statutory statements of financial position:

(*) Includes all non-current assets (as at 30 June 2016 net of "Fair value of the residual stake in Ansaldo Energia", which became current as from the financial statements as at 31 December 2016) and all non-current liabilities, net of "Non-current loans and borrowings", respectively.

(**) Includes "Other current assets", net of "Other current liabilities" (excluding hedging derivatives in respect of debt items) and "Income tax payables".

(***) Includes the net amount of "Non-current assets held for sale" and "Liabilities associated with assets held for sale".

The Group Net Debt breaks down as follows:

(€ millions)	***30 June 2017***	*of which current*	***31 December 2016***	*of which current*	***30 June 2016***	*of which current*
Bonds	4,822	*617*	4,375	*638*	4,311	*98*
Bank debt	294	*70*	297	*59*	358	*76*
Cash and cash equivalents	(1,842)	*(1,842)*	(2,167)	*(2,167)*	(811)	*(511)*
Net bank debt and bonds	**3,274**		**2,505**		**3,858**	
Fair value of the residual portion in portfolio of Ansaldo Energia	(143)		(138)		(134)	
Current loans and receivables from related parties	(59)	*(59)*	(40)	*(40)*	(128)	*(128)*
Other current loans and receivables	(54)	*(54)*	(58)	*(58)*	(33)	*(33)*
Current loans and receivables and securities	**(256)**		**(236)**		**(295)**	
Non current financial receivables from Superjet	(58)	-	(65)	-	-	-
Hedging derivatives in respect of debt items	8	*8*	35	*35*	65	*65*
Related-party loans and borrowings	510	*510*	502	*502*	527	*526*
Other loans and borrowings	99	*68*	104	*68*	78	*47*
Group Net Debt	**3,577**		**2,845**		**4,233**	

The reconciliation with the net financial position required by Consob Communication no. DEM/6064293 of 28 July 2006 is provided in Note 14

The item "Bonds" increased as a result of the issued loan, for a nominal value of €mil. 600, which was placed in June.

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Below are the key performance indicators by sector:

Helicopters

Even against an environment still characterised by uncertainties and difficulties in a number of end-markets, new orders for the half-year increased compared to the same period of the prior year. Financial results were affected by slowdowns in the production progress, but still showed a double-digit profitability.

<u>New orders.</u> The increase was due to higher new governmental orders (exports), mainly relating to AW139 helicopters.

<u>Revenues.</u> These showed a decline attributable to a slower recovery of production than expected on some product lines in the first months of the year, while production volumes during the second quarter reached the same level as that recorded during the corresponding period in the previous year.

The growth in revenues on AW189, as well as on the T129 Atak Turkey programme, substantially balanced the completion of programmes on the AW159/Lynx lines and of the CH47 programme for the Italian Army, in addition to a negative exchange rate effect for those companies with a currency other than the Euro.

EBITA. The reduction was mainly due to the effect of lower revenues with a profitability that remained very impressive, despite a slight decline compared to the first half of 2016, being affected by some predicted difficulties in achieving the expected margins on some product lines.

Electronics, Defence & Security Systems

The performance recorded during the first half-year confirmed the positive trend recorded during 2016, with a further strong improvement in profits, both in absolute terms and as percentages.

New orders. These were slightly lower than in the first half of 2016, net of the negative GBP/€ exchange rate effect, in particular as a result of the decline recorded by the *Land&Naval Defence Electronics* Division, which last year had benefitted from a major export order for the supply of an air traffic surveillance and protection system to the Armed Forces in the Gulf countries. This was partially offset by higher orders acquired by DRS and by the *Airborn & Space Systems* Divisions, including, among others, the Mode-5 contract awarded by the UK Ministry of Defence for the upgrading of the identification systems (Identification Friend or Foe - IFF) for more than 350 British air, land and naval platforms.

Revenues. These were slightly higher than in the same period of 2016, net of the negative exchange rate effect. The higher volumes recorded by the *Land&Naval Defence Electronics*, mainly as a result of the increasing contribution from the activities associated with the programmes acquired in previous years, and by the *Security & Information Systems* Divisions more than compensated the expected decline in the *Defence Systems* Division, which was affected by the gradual completion of some programmes and by postponements of operations during the period.

EBITA. This showed considerable improvement compared with the same period of 2016, mainly as a result of the steady recovery in the industrial profitability within the *Security & Information Systems* Division and at DRS, together with the confirmation of the sound performance of the other Divisions supported by the benefits arising from successful efficiency improvement and cost curbing actions.

The key performance indicators of DRS are provided below in US dollars and euros:

	New orders	Revenues	EBITA	ROS
DRS ($mil.) June 2017	930	783	49	6.3%
DRS ($mil.) June 2016	890	771	33	4.3%
DRS (€mil.) June 2017	859	723	46	6.3%
DRS (€mil.) June 2016	798	691	30	4.3%

Average €/USD exchange rate: 1.0825 (1st half of 2017) and 1.1157 (1st half of 2016)

Aeronautics

The first half of 2017 recorded a good commercial performance both for the *Aircraft* and for the *Aerostructures* Divisions, with new orders higher than those reported in the corresponding period of the previous year, excluding the impact in 2016 of the major ca. €bil. 8 EFA Kuwait contract.

From a production point of view, in the first half of 2017, deliveries were made for 69 fuselage sections and 40 stabilisers for the B787 programme (compared to 60 fuselage sections and 43 stabilisers delivered in the first half of 2016), and 24 fuselages for the ATR programme (47 delivered in the first half of 2016). The ATR programme was affected by reduced production rates and by some delays in testing operations. For M-346 productions, 5 aircraft was completed, 2 of which was intended for the Italian Air Force and 3 for the Polish Air Force.

New orders. Excluding the abovementioned EFA Kuwait contract, the increase was mainly attributable to the orders received from the Eurofighter Consortium for the capability maintenance and the supply of support engineering services for the EFA aircraft for the 2017-2021 period, as well as, in the *Aerostructures* Division, to those received from Boeing for the supply of 200 B787 fuselage sections. The other major orders gained in the first half of 2017 included orders for the *Aerostructures* Division, namely those for the ATR, B767, A380 and A321 programmes, and for the *Aircraft* Division consisting in the order received from the Italian Air Force for the first 5 units of the new M-345 trainer aircraft, as well as from Lockheed Martin for the F-35 programme and from various customers for logistic support activities for the C27J aircraft.

Revenues. Business volumes showed an increase compared to the final result recorded in the first half of 2016; the increase related to the activities for the EFA-Kuwait contract in the *Aircraft* Division largely offset the decline in revenues recorded by the *Aerostructures* Division, due to lower foreign pass-through supplies concerning the B787 programme and to the reduction in the production rates of the ATR and A380 programmes.

***EBITA*.** There was an increase that was attributable to an improvement in the performance of both the *Aircraft* Division, mainly in respect of greater volumes of operations for the EFA programme, and the *Aerostructures* Division, due to the effects of industrial process improvement and cost curbing actions.

Space

The first half-year confirmed the good performance of the manufacturing segment, which recorded operational and profitability volumes substantially in line with those posted in the corresponding period of the previous year. All this, together with a slight decline in the result from the supply of satellite services, led to a result of operations substantially in line with 2016.

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Outlook

Taking into consideration the results achieved in the first half of 2017 and expectations for the following months, we confirm the Group Guidance for the full year 2017 that was made at the time of the preparation of the financial statements at 31 December 2016.

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Industrial and financial transactions

Industrial transactions. In the period the following main industrial transactions were carried out:

- ***Completion of the closing of Avio***. 31 March 2017 marked the closing of the acquisition by Space2, Leonardo and In Orbit (a company held by certain managers of Avio) of the entire share capital of Avio not yet owned by Leonardo, with the subsequent merger into Space2 and concurrent listing of Avio on the MTA/Star Segment of the Italian Stock Exchange which was finalised last 10 April. As a result of this transaction Leonardo now holds about 28% in the company in respect of a payment, for the portion acquired in the period, of approx. €45 million;
- ***Completion of the acquisition of Daylight Solutions***. On 23 June 2017 Leonardo completed, through the US subsidiary DRS, the acquisition of Daylight Solutions Inc., a leading company in the development of Quantum Cascade Laser products. The acquisition agreement, which was signed on 7 March 2017, was approved by the shareholders of Daylight Solution, and obtained any necessary regulatory authorisation, including the approval on the part of the US competition authorities and Foreign Investment Committee. The payment for the purchase of the shares was equal to USDmil. 140 for the entire share capital of Daylight Solutions. In addition, the purchase contract envisages an earn-out mechanism by virtue of which the payment can increase by a further USDmil. 15 upon the achievement of certain financial and operating

targets for the year 2017. This acquisition enabled the expansion of DRS' offer within the advanced solutions for the civil and military market.

Financial transactions. On 7 June 2017, within the EMTN (Euro Medium Term Notes) programme, which was renewed in April 2017, Leonardo placed new 7-year listed bonds, while leaving the maximum amount of €bil. 4 unchanged, on the Luxembourg Stock Exchange on the Euromarket in an amount of €mil. 600, with an annual coupon of 1.50%. In accordance with its financial strategy regulated and aimed at being upgraded to the Investment Grade Credit Rating, the Company has deemed it appropriate to take advantage of particularly favourable market conditions, thus reducing its refinancing requirements in the next financial years, while also benefitting from a lower average cost of its own debt. The issue was reserved for Italian and international institutional investors only.

Furthermore, in June Leonardo repurchased on the market a nominal amount of GBPmil. 30 in relation to the bond issue launched in 2009, due 2019 (a coupon of 8%) thus reducing the remaining nominal amount to GBPmil. 288).

During the period under examination the Group disposed of receivables without recourse for a total value of approximately €mil. 487 (€mil. 600 in the first half of 2016). Furthermore, to meet the financing needs for ordinary Group activities, Leonardo obtained a revolving credit facility for a total of €mil. 2,000 with a pool of Italian and international banks as described in more detail in the 2016 Annual Report. At 30 June 2017 this credit facility was entirely unused. The Group also has additional unconfirmed short-term lines of credit for a total of €mil. 725, which were entirely unused at 30 June 2017. Leonardo has unsecured lines of credit, as well as unconfirmed, of approximately €mil. 4,069.

Leonardo is the issuer of all the bonds in € and GBP placed on the market within the EMTN (Euro Medium Term Notes) programme, and also acts as a guarantor for all the bond issues launched by Leonardo US Holding Inc. in the US market. The Group's issues are governed by regulations laying down standard legal clauses for this type of transactions carried out by corporate entities in institutional markets, which do not require any commitment with respect to specific financial covenants, while they include, among others, negative pledge and cross default clauses. According to negative pledge clauses, the Group's issuers, Leonardo and their Material Subsidiaries (i.e. entities in which Leonardo holds more than 50% of the capital and whose gross revenues and total assets account for at least 10% of consolidated gross revenues and total assets) are specifically prohibited from creating collaterals or any other encumbrance as security for their debt comprised of bonds or financial instruments that are either listed or capable of being listed, unless these guarantees are extended to all the bondholders. This prohibition shall not apply to securitisation transactions and, with effect from July 2006, to any set of assets intended for specific businesses pursuant to Articles 2447-*bis* and ff. of the Italian Civil Code. On the contrary, cross default clauses grant the bondholders the right to request early repayment of bonds in their possession upon the occurrence of an event of default on the part of the Group's issuers and/or Leonardo-Finmeccanica and/or any of their Material Subsidiaries, the result of which would be their failure to make payments above the established limits.

Financial covenants are also included in the Revolving Credit Facility outstanding for a total of €mil. 2,000 and they provide for compliance by Leonardo with two financial ratios (a Group Net Debt, excluding payables to the joint ventures MBDA and Thales Alenia Space/EBITDA, of not more than 3.75 and an EBITDA/Net interest ratio of not less than 3.25), which are tested on an annual basis on year-end consolidated data and which had been complied with in full at 31 December 2016. In accordance with the contract provisions that provided for this option, these covenants were also extended to the EIB loan, which is currently outstanding for €mil. 271, as well as to some loans recently granted by US banks in favour of DRS, in a total amount of USDmil. 75. Outstanding bond issues are given a medium/long-term financial credit rating by the three international rating agencies: Moody's Investors Service (Moody's), Standard & Poor's and Fitch. At the date of presentation of this report, Leonardo's credit ratings, compared to those preceding the last change, were as follows:

Agency	**Last update**	**Updated**		**Previous**	
		Credit Rating	*Outlook*	*Credit Rating*	*Outlook*
Moody's	May 2017	Ba1	positive	Ba1	stable
Standard&Poor's	April 2015	BB+	stable	BB+	negative
Fitch	October 2016	BB+	positive	BB+	stable

During the first half of the year, Moody's upgraded the outlook assigned to Leonardo, bringing it from "*stable*" to "*positive*".

For a detailed analysis of the effects on financial expense arising from (positive or negative) changes (if any) in the credit ratings assigned to Leonardo, reference should be made to the section on "*Industrial and financial transactions*" of the 2016 consolidated financial statements.

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Information pursuant to Articles 70 and 71 of the Consob Issuers' Regulation

By resolution of the Board of Directors on 23 January 2013, the Company adopted the simplification regime under Articles 70/8 and 71/1-*bis* of the Issuers' Regulations, adopted with CONSOB Resolution 11971/1999, as subsequently amended and supplemented. By this resolution, the Company chose the option to make exceptions to the obligation to issue the documents required by the law when transactions of greater importance (such as mergers, spin-offs, capital increases by means of the contribution of assets in kind, acquisitions or disposals) occur.

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Related party transactions

It should be noted that in 2010 Leonardo issued a specific "Procedure for Related Parties Transactions" (hereinafter referred to as the "Procedure"), which was mostly recently updated on 20 December 2016, pursuant to CONSOB Regulation no. 17221 of 12 March 2010, as amended and supplemented, containing provisions on "related party transactions" (hereinafter referred to as the "Regulation"), as well as in implementation of Article 2391-*bis* of the Italian Civil Code. The abovementioned Procedure is available on the Company's website (www.leonardocompany.com, under *Corporate Governance* section, Related Parties area).

Pursuant to Article 5.8 of the Regulation, the first half of 2017 saw – as described in the Report on Operations of the financial statements at 31 December 2016 – the end of the reorganisation process of the British businesses of the Group into a single entity, Leonardo MW Ltd, directly and entirely controlled by Leonardo. In particular, within this context there was the conclusion (effective starting from 1 January 2017) of the sale of the investment in AgustaWestland Ltd from Leonardo SpA to Leonardo MW Ltd. This operation was classified as transaction of greater importance, as defined by Article 4.1.a) of the abovementioned Regulation and benefitted – as it was carried out with a subsidiary – from the exemption provided for in Article 14.2 of the Regulation, as well as in Article 11.2 e) of the abovementioned Procedure.

Related Parties		Nature of the relationship with the related party	Object of the transaction	Transaction payment
Leonardo SpA	Leonardo MW Ltd	(100%) Subsidiary	Sale of investment in AgustaWestland Ltd from Leonardo SpA to Leonardo MW Ltd	€mil. 1,226

Finally, it should be noted that this transaction had no impact on the consolidated financial position and the consolidated results for the period under consideration and that no changes or developments took place in relation to the related party transactions described in the 2016 Report on Operations.

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Main risks for the remaining months of the financial year: the main risks to which the Group is exposed in the following six months of the financial year are unchanged from those described in fuller detail in the Consolidated Financial Statements at 31 December 2016 in the section "*Leonardo and risk management*". Any updates relating to specific risk positions are illustrated in Note 15 to the condensed consolidated half-year financial statements at 30 June 2017.

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"Non-GAAP" performance indicators

Leonardo's Management assesses the Group's performance and that of its business segments based on a number of indicators that are not envisaged by the IFRSs. Specifically, EBITA is used as the primary indicator of profitability, since it allows us to analyse the Group's marginality by eliminating the impacts of the volatility associated with non-recurring items or items unrelated to ordinary operations.

As required by CESR/05-178b Recommendation, below is a description of the components of each of these indicators:

- **New orders**: this includes contracts signed with customers during the period that satisfy the contractual requirements for being recorded in the order book.
- **Order backlog**: this figure is the sum of the order backlog for the preceding period and new orders, less revenues during the reference period.
- **EBITDA**: this is given by EBITA, as defined below, before amortisation, depreciation and impairment losses (net of those relating to goodwill or classified among "non-recurring costs").
- **EBITA*:*** it is arrived at by eliminating from EBIT, as defined below, the following items:
  - any impairment in goodwill;
  - amortisation and impairment, if any, of the portion of the purchase price allocated to intangible assets as part of business combinations, as required by IFRS 3;
  - restructuring costs that are a part of defined and significant plans. This item includes personnel costs as well as any and all other costs deriving from the reorganisation (e.g. impairment of assets, costs for the closure of sites, relocation costs, etc.);
  - other exceptional costs or income, i.e. connected to particularly significant events that are not related to the ordinary performance of the business.

  EBITA is then used to calculate return on sales (ROS) and return on investment (ROI).

  A reconciliation of Income before tax and financial expense, EBIT and EBITA is shown below (the reconciliation by segment is reported in Note 6):

(€ millions)	For the Six months ended 30 June	
	2017	2016
Income before tax and financial expenses	309	307
Equity-accounted strategic JVs	91	92
EBIT	**400**	**399**
Amortisation of intangible assets acquired as part of business combinations	50	48
Restructuring costs	32	22
Non-recurring (income) expense	-	3
EBITA	**482**	**472**

- **Return on Sales (ROS)***:* this is calculated as the ratio of EBITA to revenue.
- **EBIT**: this is obtained by adding to EBIT (defined as earnings before "financial income and expense", "share of profits (losses) of equity-accounted investees", "income taxes" and "result from discontinued operations") the Group's share of profit in the results of its strategic Joint Ventures (ATR, MBDA, Thales Alenia Space and Telespazio), reported in the "share of profits (losses) of equity-accounted investees".
- **Net result before extraordinary transactions**: this is the Net Result before the result from discontinued operations and the effects of the extraordinary transactions (acquisitions and disposals). Below is the reconciliation:

(€ millions)	For the Six months ended 30 June	
	2017	2016
Net result	194	210
Effect of extraordinary transactions	-	(10)
Net result before extraordinary transactions	**194**	**200**

- **Group Net Debt**: this includes cash, financial receivables and current securities, net of (current and non-current) loans and borrowings and of the fair value of derivatives covering financial debt items, as well as the main non-current receivables. In particular, the Group Net Debt included the financial receivable (backed by bank guarantees) from SuperJet – that starting from 31 December 2016 was recorded within non-current receivables– which will be repaid in 4 years based on the arrangements for the rescheduling of the Group's participation in this programme. This indicator also includes the measurement of the residual interest in Ansaldo Energia – in consideration and assuming the exercise as well as in light of the creditworthiness of the other party – of the put & call rights based on which this amount will be paid by Cassa Depositi e Prestiti Equity to Leonardo. Starting from 31 December 2016 the remaining portion has been classified among current assets considering that the expiry date is nearing. The reconciliation with the net financial position required by the Consob communication no. DEM/6064293 of 28 July 2006 is provided in Note 14.
- **Free Operating Cash-Flow (FOCF)***:* this is the sum of the cash flows generated by (used in) operating activities (excluding the changes in the Group Net Debt), the cash flows generated

by (used in) ordinary investing activities (investment and divestment of intangible assets, property, plant and equipment, and equity investments, net of cash flows from the purchase or sale of equity investments that, due to their nature or significance, are considered "strategic investments") and dividends. The calculation of FOCF is presented in the reclassified statement of cash flows shown in the section "Group results and financial position".

- **Return on Investments (ROI)*:*** this is calculated as the ratio of EBITA to the average net capital invested in the two comparative periods.
- **Return on Equity (ROE)*:*** this is calculated as the ratio of the Net Result before extraordinary transactions for the financial period to the average value of equity in the two comparative periods.
- **Workforce:** the number of employees recorded in the register on the last day of the period.

Condensed consolidated half-year financial statements at 30 June 2017

Condensed consolidated separate income statement

(€ millions)	*Note*	**For the Six months ended 30 June**			
		2017	*of which with related parties*	**2016**	*of which with related parties*
Revenue	*19*	5,326	738	5,413	888
Purchase and personnel expenses	*21*	(4,759)	(163)	(4,864)	(60)
Amortisation, depreciation and impairment losses	*22*	(327)		(362)	
Other net operating income/(expenses)	*20*	69	2	120	3
Income before tax and financial expenses		**309**		**307**	
Financial income/(expenses)	*23*	(159)	4	(118)	(1)
Share of profits/(losses) of equity-accounted investees	*24*	95		99	
Operating profit (loss) before income taxes and discontinued operations		**245**		**288**	
Income taxes		(51)		(78)	
Profit (loss) from discontinued operations		-		-	
Net profit/(loss) for the period attributable to:		**194**		**210**	
- owners of the parent		*194*		*210*	
- non-controlling interests		-		-	
Earnings/(losses) per share	*25*	*0.338*		*0.365*	
- basic and diluted from continuing operations		*0.338*		*0.365*	
- basic and diluted from discontinued operations		*n.a*		*n.a*	

Condensed consolidated statement of comprehensive income

(€ millions)	Note	For the Six months ended 30 June 2017		2016	
Profit (loss) for the period			**194**		**210**
Other comprehensive income (expenses):					
Comprehensive income/expenses which will not be subsequently reclassified within the profit (loss) for the period:					
- Measurement of defined-benefit plans:	13		77		51
- revaluation		*71*		*57*	
- exchange rate gains (losses)		*6*		*(6)*	
- Tax effect	13		(17)		(13)
			60		38
Comprehensive income/expenses which will or might be subsequently reclassified within the profit (loss) for the period:					
- Changes in cash flow hedges:	13		56		(25)
- change generated in the period		*63*		*(12)*	
- transferred to the profit (loss) for the period		*(7)*		*(14)*	
- exchange rate gains (losses)		*-*		*1*	
- Translation differences	13		(160)		(306)
- change generated in the period		*(160)*		*(306)*	
- transferred to the profit (loss) for the period		*-*		*-*	
- Tax effect	13		(14)		7
			(118)		(324)
Current portion of "Other comprehensive income (expense)", equity-accounted investees			(3)		26
Total other comprehensive income (expenses), net of tax:			**(61)**		**(260)**
Total comprehensive income (expenses), attributable to:			**133**		**(50)**
- *Owners of the parent*			133		(50)
- *Non-controlling interests*			-		-
Total comprehensive income (expenses), attributable to Owners of the parent			**133**		**(50)**
- from continuing operations			133		(50)
- from discontinued operations			-		-

Condensed consolidated statement of financial position

(€ millions)	*Note*	**30 June 2017**	*of which with related parties*	**31 December 2016**	*of which with related parties*
Intangible assets	*7*	6,653		6,719	
Property, plant and equipment and investment properties	*8*	2,303		2,423	
Deferred tax assets		1,146		1,231	
Other non-current assets	*9*	1,731	-	1,811	*1*
Non-current assets		**11,833**		**12,184**	
Inventories		4,234		4,014	
Trade receivables, including contract work in progress	*11*	6,429	*573*	5,965	*667*
Loans and receivables		113	*59*	98	*40*
Other current assets	*12*	1,022	*46*	943	*4*
Cash and cash equivalents		1,842		2,167	
Current assets		**13,640**		**13,187**	
Non-current assets held for sale		14		14	
Total assets		**25,487**		**25,385**	
Share capital	*13*	2,491		2,491	
Other reserves		1,922		1,866	
Equity attributable to the owners of the parent		**4,413**		**4,357**	
Equity attributable to non-controlling interests		15		16	
Total equity		**4,428**		**4,373**	
Loans and borrowings (non-current)	*14*	4,460	-	4,011	-
Employee benefits	*16*	605		702	
Provisions for risks and charges	*15*	1,011		1,125	
Deferred tax liabilities		360		391	
Other non-current liabilities	*17*	1,136	-	1,155	-
Non-current liabilities		**7,572**		**7,384**	
Trade payables, including progress payments and advances from customers	*18*	9,538	*86*	9,295	*76*
Loans and borrowings (current)	*14*	1,265	*510*	1,267	*502*
Income tax payables		46		68	
Provisions for short-term risks and charges	*15*	773		792	
Other current liabilities	*17*	1,865	*22*	2,206	*166*
Current liabilities		**13,487**		**13,628**	
Total liabilities		**21,059**		**21,012**	
Total liabilities and equity		**25,487**		**25,385**	

Condensed consolidated statement of cash flows

(€ millions)	*Note*	For the Six months ended 30 June			
		2017	*of which with related parties*	**2016**	*of which with related parties*
Gross cash flows from operating activities	*26*	717		722	
Change in working capital	*26*	(637)	*110*	(951)	*(158)*
Change in other operating assets and liabilities and provisions for risks and charges		(406)	*(187)*	(364)	*(191)*
Interests paid		(143)	*2*	(145)	*2*
Income taxes paid		(63)	-	(51)	-
Cash flows used in operating activities		**(532)**		**(789)**	
Investments in property, plant and equipment and intangible assets		(207)		(242)	
Sales of property, plant and equipment and intangible assets		1		10	
Other investing activities		48	-	221	-
Cash flows used in investing activities		**(158)**		**(11)**	
Treasury shares purchase		-		(34)	
Dividends paid		(81)		-	
Bond issue/repayment		592		-	
Bond Buy Back		(34)		-	
Net change in other loans and borrowings		(78)	*(6)*	(104)	*127*
Cash flows generated from financing activities		**399**		**(138)**	
Cash and cash equivalents at 1 January		2,167		1,771	
Net increase (decrease) in cash and cash equivalents		(291)		(938)	
Exchange rate differences and other changes		(34)		(22)	
Cash and cash equivalents at 30 June		**1,842**		**811**	

Condensed consolidated statement of changes in equity

(€ millions)	**Share capital**	**Retained earnings and other reserves**	**Cash flow hedge reserve**	**Revaluation reserve of defined-benefit plans**	**Translation reserve**	**Equity attributable to owners of the parent**	**Non-controlling interests**	**Total equity**
1 January 2016	**2,522**	**1,960**	**(53)**	**(226)**	**77**	**4,280**	**22**	**4,302**
Profit (loss) for the period	-	210	-	-	-	210	-	210
Other comprehensive income (expenses)	-	-	(17)	60	(303)	(260)	-	(260)
Total comprehensive income (expenses)	**-**	**210**	**(17)**	**60**	**(303)**	**(50)**	**-**	**(50)**
Dividends resolved						-	(3)	(3)
Repurchase of treasury shares less shares sold	(34)					(34)	-	(34)
Total transactions with owners of the parent, recognised directly in equity	**(34)**	**-**	**-**	**-**	**-**	**(34)**	**(3)**	**(37)**
Other changes	-	3	-	(2)		1	-	1
30 June 2016	**2,488**	**2,173**	**(70)**	**(168)**	**(226)**	**4,197**	**19**	**4,216**
1 January 2017	**2,491**	**2,471**	**(141)**	**(249)**	**(215)**	**4,357**	**16**	**4,373**
Profit (loss) for the period	-	194	-	-	-	194	-	194
Other comprehensive income (expenses)			49	62	(172)	(61)	-	**(61)**
Total comprehensive income (expenses)	**-**	**194**	**49**	**62**	**(172)**	**133**	**-**	**133**
Dividends resolved		(80)	-	-	-	(80)	(1)	(81)
Repurchase of treasury shares less shares sold						-	-	-
Total transactions with owners of the parent, recognised directly in equity	**-**	**(80)**	**-**	**-**	**-**	**(80)**	**(1)**	**(81)**
Other changes	-	2	-	(1)	2	3		3
30 June 2017	**2,491**	**2,587**	**(92)**	**(188)**	**(385)**	**4,413**	**15**	**4,428**

Explanatory Notes

1. GENERAL INFORMATION

Leonardo S.p.A. is a company limited by shares based in Rome (Italy), at Piazza Monte Grappa 4, and is listed on the Italian Stock Exchange (FTSE MIB). The Group is a major Italian high technology organization operating in the *Helicopters, Electronics, Defence and Security Systems, Aeronautics and Space* sectors.

2. FORM, CONTENT AND APPLICABLE ACCOUNTING STANDARDS

The half-year financial report of the Group at 30 June 2017 was prepared in accordance with Article 154-ter, paragraph 2 of Legislative Decree 58/98 (Consolidated Law on Financial Intermediation), as subsequently amended. The condensed consolidated half-year financial statements at 30 June 2017, included in the half-year financial report, were prepared in accordance with IAS 34 “Interim Financial Reporting” issued by the International Accounting Standards Board (IASB) and comprise the condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of financial position, condensed consolidated statement of cash flows, condensed consolidated statement of changes in equity and the related explanatory notes.

In accordance with IAS 34, these notes are presented in condensed form and do not include all disclosures required for annual financial statements, as they refer only to those items that are essential to understand the Group’s financial position, results of operations and cash flows given their amount, breakdown or changes therein. This half-year financial report should, therefore, be read in conjunction with the 2016 annual consolidated financial statements. The statement of financial position and income statement are likewise presented in a condensed format compared to the annual financial statements. The notes to the items combined in the half-year consolidated financial statements schedules include a reconciliation with annual consolidated financial statements schedules.

The accounting policies, measurement criteria and consolidation methods used for this half-year financial report are unchanged from those of the 2016 annual consolidated financial statements (except for those specifically applicable to interim financial reports) and the half-year financial report at 30 June 2016.

It is pointed out that the Group adopts a six-month period as the interim reporting period for the purposes of IAS 34 and for the definition of interim financial statements therein reported.

The exchange rates for the major currencies used in preparing these condensed half-year financial statements are shown below:

	30 June 2017		31 December 2016	30 June 2016	
	average	final	final	average	final
US dollar	1.0825	1.1412	1.0541	1.1157	1.1102
Pound sterling	0.8601	0.8793	0.8562	0.7785	0.8265

The condensed consolidated half-year financial statements at 30 June 2017 of the Leonardo Group were approved by the Board of Directors on 27 July 2017 and published on the same day.

Amounts are shown in millions of euros unless stated otherwise.

These condensed consolidated half-year financial statements were reviewed by KPMG SpA..

3. BUSINESS SEASONALITY

Cash flows relating to operations

The Group's key business segments feature a high concentration of cash flows from customers in the last few months of the year. This has an impact on interim cash flows and the variability of the Group's debt over the various interim periods, which improves substantially in the last few months of the calendar years.

4. EFFECTS OF CHANGES IN ACCOUNTING POLICIES ADOPTED

The Group has not applied new standards starting from 1 January 2017.

In view of the application – starting from 1 January 2018 - of IFRS 15 on how to account for revenue, the Group is conducting a project to identify the areas to be adjusted, both in terms of accounting and process impacts. The analyses performed so far, although the project is still in a phase that does not allow it to highlight the effects on figures, led to estimate the impact on the main Group's indicators as well as on the equity, to be of a limited significance. In particular, from the planning analyses performed so far the main areas to be modified comprise the following: (*i*) new criteria to identify the implicit financial effects, if any, in case of long-term contracts with significant financial income and charges; (*ii*) new requirements to identify the so-called performance obligations in the contracts and (*iii*) temporary differences in recognising the margins in some mass-production lines.

During the second half of the year, the Group will determine such effects also for the purposes of defining the 2018 guidance.

Finally, with reference to IFRS9 considering the Group's use of financial instruments– mainly hedging derivatives – no significant effects are expected.

5. SIGNIFICANT EVENTS OCCURRED AFTER THE PERIOD-END

No significant events occurred after the period-end.

6. SEGMENT REPORTING

The Divisions and the companies through which the Group operates are combined together, for the purposes of the internal and external reporting, into the relevant four business sectors: *Helicopters*, *Electronics, Defence and Security Systems*, *Aeronautics* and *Space*. The *Other activities* segment includes the corporate activities and the residual ones.

For a more detailed analysis of the main programmes, outlooks and operating indicators for each segment, see the Report on Operations. In relation to the performance of the profit margin, the Group assesses the performance of its operating segments on the basis of revenue and EBITA (see also the section "Non-GAAP performance indicators" in the Report on Operations). For the purpose of a correct interpretation of the information provided we note that the results of the equity-accounted strategic Joint Ventures have been included within the EBITA of the sectors to which these JVs belong; conversely, these sectors do not reflect the relevant share of revenue.

The results for each sector at 30 June 2017, as compared with those of the same period of the previous year are as follows:

For the Six months ended 30 June 2017	Helicopters	Electronics, Defence & Security Systems	Aeronautics	Space	Other Activities	Elimin-ations	**Total**
Revenues	1,598	2,456	1,448	-	159	(335)	**5,326**
Inter-segment revenue (*)	(2)	(209)	(1)	-	(123)	335	**-**
Third party revenue	1,596	2,247	1,447	-	36	-	**5,326**
EBITA	174	200	132	27	(51)	-	**482**
Investments	64	79	56	-	6	-	**205**

For the Six months ended 30 June 2016	Helicopters	Electronics, Defence & Security Systems	Aeronautics	Space	Other Activities	Elimin-ations	**Total**
Revenues	1,708	2,437	1,379	-	152	(263)	**5,413**
Inter-segment revenue (*)	(1)	(143)	(1)	-	(118)	263	**-**
Third party revenue	1,707	2,294	1,378	-	34	-	**5,413**
EBITA	202	177	115	29	(51)	-	**472**
Investments	68	80	71	-	8	-	**227**

(*)Inter-segment revenue includes revenue among Divisions and the consolidated undertakings of the Group belonging to

various business sectors

The reconciliation between EBITA, EBIT and Profit before taxes and interest for the periods compared is as follows:

For the Six months ended 30 June 2017	Helicopters	Electronics, Defence & Security Systems	Aeronautics	Space	Other Activities	**Total**
EBITA	**174**	**200**	**132**	**27**	**(51)**	**482**
Amortisation of intangible assets acquired as part of business combinations	(5)	(45)	-	-	-	(50)
Restructuring costs	(1)	(12)	(2)	-	(17)	(32)
Non-recurring income/expense	-	-	-	-	-	-
EBIT	**168**	**143**	**130**	**27**	**(68)**	**400**
Equity-accounted strategic JVs	-	(16)	(48)	(27)	-	(91)
Income before tax and financial expenses	**168**	**127**	**82**	**-**	**(68)**	**309**

For the Six months ended 30 June 2016	Helicopters	Electronics, Defence & Security Systems	Aeronautics	Space	Other Activities	**Total**
EBITA	**202**	**177**	**115**	**29**	**(51)**	**472**
Amortisation of intangible assets acquired as part of business combinations	(4)	(44)	-	-	-	(48)
Restructuring costs	(1)	(10)	(10)	-	(1)	(22)
Non-recurring income/expense	-	-	(2)	-	(1)	(3)
EBIT	**197**	**123**	**103**	**29**	**(53)**	**399**
Equity-accounted strategic JVs	-	(11)	(52)	(29)	-	(92)
Income before tax and financial expenses	**197**	**112**	**51**	**-**	**(53)**	**307**

7. INTANGIBLE ASSETS

Below is the breakdown of the investments for the period:

	30 June 2017	**31 December 2016**	**Investments for the Six months at**	
			30 June 2017	**30 June 2016**
Goodwill	3,811	3,823	-	-
Development costs	477	490	17	29
Non-recurring costs	1,548	1,472	109	116
Concessions, licences and trademarks	315	331	2	1
Acquired through business combinations	401	465	-	-
Other intangible assets	101	138	1	7
	6,653	**6,719**	**129**	**153**

Goodwill decreased due to the exchange differences deriving from the conversion of the foreign currency assets, mainly referable to amounts in USD, that more than offset the increase from the acquisition of Daylight Solutions (€mil. 132), commented on in Note 10. At 30 June 2017, based on the performance of the cash generating units ("CGUs") and considering the positive margins from the impairment tests carried out when preparing the financial statements as at 31 December 2016, no impairment indicators are seen such that could require a revision of these tests.

The residual decrease in intangible assets is due to the exchange rate effect on the other items in USD included in intangible assets.

Commitments are in place for the purchase of intangible assets for €mil. 9 (€mil. 5 at 31 December 2016).

8. PROPERTY, PLANT AND EQUIPMENT

	30 June 2017	31 December 2016	Investments for the Six months at	
			30 June 2017	30 June 2016
Land and buildings	943	964	7	1
Plant and machinery	443	469	6	8
Equipment	596	660	12	16
Other tangible assets	321	330	51	49
	2,303	**2,423**	**76**	**74**

This item decreases as a result of depreciation for the period (€mil. 178), net of the abovementioned investments.
Purchase commitments of property, plant and equipment are recorded in the amount of €mil. 79 (€mil. 79 at 31 December 2016).

9. OTHER NON-CURRENT ASSETS

	30 June 2017	31 December 2016
Financing to third parties	14	27
Non current financial receivables from Superjet	58	65
Deferred grants under Law no. 808/85	38	58
Defined benefit plan assets, net	379	367
Related party receivables (Note 27)	-	1
Other non-current receivables	67	68
Non-current receivables	**556**	**586**
Prepayments - non-current portion	7	9
Equity investments	1,073	1,141
Non-recurring costs pending under Law no. 808/1985	95	75
Non-current assets	**1,175**	**1,225**
	1,731	**1,811**

The decrease in the item is mainly attributable to equity investments, as a results of dividends distributed in the period. Such decrease was partly offset by the results for the period of the companies valued at equity and by the purchase of the stakes in Avio (€mil. 45) as commented on in the Report on Operations.

The table below shows the fair value hierarchy of the Group financial assets and liabilities measured at fair value. The fair value of derivative instruments (classified under other current assets and liabilities) and current securities is determined on the basis of measurement techniques which consider directly observable market inputs (so-called “Level 2”), in particular, the foreign exchange rate and the interest rate (spot and forward rates). Vice versa, the fair value of the remaining 15% in Ansaldo Energia, subject to put&call option (classified under other non-current assets), as well as fair value of the payable to Bell Helicopter (classified under other non-current liabilities) is determined on the basis of measurement techniques which do not consider directly observable market inputs (the so-called “Level 3”). In particular, the fair value of the stake in Ansaldo Energia was calculated on the basis of the price of the sale, as established in the related agreements. The fair value of the payable to Bell Helicopter was determined by discounting back the estimate of the variable amounts payable on the basis of the success of the programme.

	30 June 2017			**31 December 2016**		
	Level 2	**Level 3**	**Total**	**Level 2**	**Level 3**	**Total**
Non-current assets	-	-	-	-	-	-
Current assets	156	141	297	165	138	303
Non-current liabilities	-	263	263	-	275	275
Current liabilities	232	-	232	337	-	337

10. BUSINESS COMBINATION

On 23 June 2017 the Leonardo Group acquired, through DRS, the entire capital of the Daylight Solutions, Inc. Group, world leader in the development of Quantum Cascade Laser products, in order to enable the expansion of DRS’ offer within the advanced solutions for the civil and military market. The payment for the purchase of the shares was equal to USDmil. 140, net of cash acquired. In addition, the purchase contract envisages an earn-out mechanism by virtue of which the payment can increase by a further USDmil. 15 upon the achievement of certain financial and operating targets for the year 2017.

The overall effect on the financial position (at the exchange rate at the date of the transaction) is as follows:

	Fair Value
Property, plant and equipment and intangible assets	5
Inventories	12
Trade receivables	5
Cash and cash equivalents	
Progress payments and advances from customers	(8)
Trade payables	(4)
Other liabilities	(5)
Net assets acquired	**5**
Cash-out	123
Earn-out and other amount to be paid	14
Price	137
Goodwill from business combination	**132**

In this respect, the process to identify the fair value of the acquired assets and liabilities assumed as required by IFRS 3, has not been completed yet; therefore, the fair value of the single assets and liabilities, as well as the residual value which is currently allocated to goodwill, could be different at the end of the allocation process.

In consideration of the date for the finalization of the acquisition, the consolidation of Daylight did not have any further effects on this half-year financial report in addition to those reported in the table above.

11. TRADE RECEIVABLES, INCLUDING CONTRACT WORK IN PROGRESS

	30 June 2017	31 December 2016
Trade receivables	2,813	2,757
Related party trade receivables (Note 27)	573	667
	3,386	**3,424**
Contract work in progress	3,043	2,541
	6,429	**5,965**

For the primary credit risks related to the Group's business that did not change during this half-year, reference is made to Note 35 to the consolidated financial statements at 31 December 2016.

12. OTHER CURRENT ASSETS

	30 June 2017	31 December 2016
Income tax receivables	182	162
Fair value of the residual portion in portfolio of Ansaldo Energia	143	138
Derivatives	156	165
Other current assets:	541	478
Prepaid expenses - current portion	*74*	*89*
Receivables for grants	*99*	*98*
Receivables from employees and social security	*67*	*56*
Indirect tax receivables	*96*	*79*
Deferred receivables under Law no. 808/85	*4*	*4*
Other related party receivables (Note 27)	*46*	*4*
Other assets	*155*	*148*
	1,022	**943**

Other current assets include the fair value of 15% of the Ansaldo Energia share capital (classified as fair value through profit and loss), which will be sold upon the exercise of the put&call options, defined below, by the parties, at a pre-arranged price of €mil. 117 in respect of which capitalised interest accrues at a yearly 6% rate. In particular, Leonardo can exercise its put option between 30 June and 31 December 2017, while the call option of CDP Equity (Cassa Depositi e Prestiti Equity), to which FSI (Fondo Strategico Italiano) sold its investment in Ansaldo Energia, is exercisable in the same period or before if some conditions occur.

13. EQUITY

Share capital	Number of ordinary shares	Par value	Treasury shares	Costs incurred (net of tax effect)	Total
Outstanding shares	578,150,395	2,544	-	(19)	2,525
Treasury shares	(3,738,696)	-	(34)	-	(34)
31 December 2016	**574,411,699**	**2,544**	**(34)**	**(19)**	**2,491**
Repurchase of treasury shares less shares sold	-	-	-	-	-
30 June 2017	**574,411,699**	**2,544**	**(34)**	**(19)**	**2,491**
broken down as follows:					
Outstanding shares	578,150,395	2,544	-	(19)	2,525
Treasury shares	(3,738,696)	-	(34)	-	(34)

At 30 June 2017 the Ministry of Economy and Finance owned 30.204% of the share capital.

The statement of changes in equity attributable to the owners of the parent and to non-controlling interests is presented in the accounting statements section. Below is a breakdown of the tax effects on the gain and loss items recognised in equity of the Group, as well as the other comprehensive income/expense relating to investments valued at equity and the related tax effects:

	Group - consolidated entities			Group - equity accounted investments		
	Amount before taxes	Tax effect	**Net amount**	Amount before taxes	Tax effect	**Net amount**
For the Six months ended 30 June 2017						
Revaluation of defined-benefit plans	77	(17)	**60**	2	-	**2**
Changes in cash-flow hedges	56	(14)	**42**	11	(4)	**7**
Foreign currency translation difference	(160)	-	**(160)**	(12)	-	**(12)**
Total	**(27)**	**(31)**	**(58)**	**1**	**(4)**	**(3)**
For the Six months ended 30 June 2016						
Revaluation of defined-benefit plans	51	(13)	**38**	30	(8)	**22**
Changes in cash-flow hedges	(25)	7	**(18)**	4	(3)	**1**
Foreign currency translation difference	(306)	-	**(306)**	3	-	**3**
Total	**(280)**	**(6)**	**(286)**	**37**	**(11)**	**26**

14. LOANS AND BORROWINGS

	30 June 2017		31 December 2016	
	Non-current	**Current**	**Non-current**	**Current**
Bonds	4,205	617	3,737	638
Bank loans and borrowings	224	70	238	59
Related party loans and borrowings (Note 27)	-	510	-	502
Other loans and borrowings	31	68	36	68
	4,460	**1,265**	**4,011**	**1,267**

The item increased as a result of the issued loan, for a nominal value of €mil. 600, which was placed in June 2017 within the EMTN programme, expiring in 2024 and with a coupon equal to 1.50%, net of the part of bonds in GBP that were reacquired in the period (nominal GBPmil. 30).

The main clauses that regulate the Group's payables are reported in the section "*Financial Transactions*" of the Report on Operations.

Below is the detail of the bonds at 30 June 2017 which shows the bonds issued by Leonardo ("LDO") and by Leonardo US Holding, Inc ("LH").

Issuer		Year of issue	Maturity	Currency	Outstanding nominal amount (mil.)	Annual coupon		Type of offer
LDO	(**)	2003	2018	€	500	5.750%	(1)	European Institutional
LDO	(*)	2005	2025	€	500	4.875%		European Institutional
LDO	(**)	2009	2019	GBP	288	8.000%	(2)	European Institutional
LDO	(**)	2009	2022	€	555	5.250%		European Institutional
LH	(***)	2009	2019	USD	434	6.250%		American Institutional Rule 144A/Reg. S
LH	(***)	2009	2039	USD	275	7.375%		American Institutional Rule 144A/Reg. S
LH	(***)	2009	2040	USD	457	6.250%		American Institutional Rule 144A/Reg. S
LDO	(**)	2012	2017	€	521	4.375%		European Institutional
LDO	(**)	2013	2021	€	739	4.500%		European Institutional
LDO	(*)	2017	2024	€	600	1.500%		European Institutional

(*) Bonds listed on the Luxembourg Stock Exchange and issued as part of the EMTN programme for a maximum of €bil. 4. The transaction was authorised pursuant to Art. 129 of Legislative Decree 385/93.

(**) Bonds, originally issued by Finmeccanica Finance, listed on the Luxembourg Stock Exchange and issued as part of the EMTN programme for a maximum of €bil. 4. The transaction was authorised pursuant to Art. 129 of Legislative Decree 385/93.

(***) Bonds issued under Rule 144A, Regulation S of the US Securities Act. The proceeds of this issue were entirely used by Leonardo US Holding, inc to finance the purchase of DRS replacing the dollar-issue bonds originally issued by the company. These bonds were redeemed early following Leonardo's purchase of DRS. As a result, these issues were not hedged against exchange rate risk.

(1) Rate derivative transactions were made on these bonds and led the effective cost of the loan return to a fixed rate better than the coupon and corresponding to an average of some 5.6%.

(2) The proceeds of the issue were translated into euros and the exchange rate risk arising from the transaction was fully hedged.

For an analysis on the clauses related to the abovementioned issues (financial covenant, negative pledge and cross default) reference is made to what reported in the Report on Operations.

Below is the financial information required under CONSOB communication DEM/6064293 of 28 July 2006:

	30 June 2017	*of which with related parties*	**31 December 2016**	*of which with related parties*
Liquidity	**(1,842)**		**(2,167)**	
Current loans and receivables	**(113)**	*(59)*	**(98)**	*(40)*
Current bank loans and borrowings	70		59	
Current portion of non-current loans and borrowings	617		638	
Other current loans and borrowings	578	*510*	570	*502*
Current financial debt	**1,265**		**1,267**	
Net current financial debt (funds)	**(690)**		**(998)**	
Non-current bank loans and borrowings	224		238	
Bonds issued	4,205		3,737	
Other non-current loans and borrowings	31	-	36	-
Non-current financial debt	**4,460**		**4,011**	
Net financial debt	**3,770**		**3,013**	

The reconciliation between Net financial debt and Group Net Debt, used as KPI, is as follows:

	Note	**30 June 2017**	**31 December 2016**
Net financial debt com. CONSOB no. DEM/6064293		**3,770**	**3,013**
Fair value of the residual portion in portfolio of Ansaldo Energia	*12*	(143)	(138)
Hedging derivatives in respect of debt items		8	35
Non current financial receivables from Superjet		(58)	(65)
Group net debt (KPI)		**3,577**	**2,845**

15. PROVISIONS FOR RISKS AND CONTINGENT LIABILITIES

	30 June 2017		31 December 2016	
	Non-current	**Current**	**Non-current**	**Current**
Guarantees given	140	102	175	111
Restructuring	106	46	107	74
Penalties	126	19	126	19
Product guarantees	114	95	114	94
Other	525	511	603	494
	1,011	**773**	**1,125**	**792**

With regard to the provisions for civil, tax and administrative disputes, it should be noted that the Leonardo Group companies' operations regard industries and markets where many disputes, which are brought as both plaintiff and defendant, are settled only after a considerable period of time, especially in cases where the customer is a government entity. Pursuant to the accounting standards, provisions have only been made for risks that are probable and for which the amount can be determined. No specific provisions have been set aside for other disputes in which the Group is a defendant as these disputes are reasonably expected to be resolved satisfactorily and without significantly impacting the results. Furthermore, given their complexity, their cutting-edge technological content and the nature of the customers, the Group's long-term contracts are sometimes affected by disputes with customers in relation to the compliance of works with customer specifications and product performances. The Group adjusts the estimated contract costs for foreseeable issues, also taking into account possible developments in the relevant disputes. As to contracts in progress affected by uncertainties and problematic issues, with respect to what was already described during the preparation of the 2016 consolidated financial statements, to which reference is made, there are no significant updates.

With respect to what was already described during the preparation of the 2016 consolidated financial statements, to which reference is made, the following updates related to the outstanding disputes should be noted:

- with reference to the litigation brought by Reid against Leonardo and Alenia Space (then ALS S.p.A., now SOGEPA S.p.A.) before the Court of Texas in 2001, whereby Reid claimed that the former Finmeccanica-Space Division failed to meet its obligations under the contract for the implementation of the Gorizont satellite programme, on 28 April 2017 the Court handed down its decision on the preliminary issue of the applicable law; on 26 June 2017 the Italian companies filed a Motion for Summary Judgment against said ruling. It should be recalled that the lawsuit filed by Leonardo and SOGEPA in Italy - aimed at establishing the inexistence of the claims concerning the facts and requests argued by Mr Dennis Reid before the Court of Delaware - is still pending before the Court of Appeal of Rome;

- with reference to the dispute brought by G.M.R. S.p.A., as the sole shareholder of Firema Trasporti, against Leonardo and AnsaldoBreda before the Court of Santa Maria da Capua Vetere in February 2011, by judgment no. 2739 of 2017 the Court declared that the appeals were inadmissible due to the supervening lack of interest by virtue of the revocation of the order of removal from the lawsuit. While pending the appeal in the abovementioned action brought by Firema Trasporti under Extraordinary Management before Court of Naples, the judge responsible for preliminary investigations was replaced and on 17 June 2015 the new judge reversed the previous ruling relating to the declarations of claim preclusion and removal from the lawsuit. The proceedings were subsequently suspended pending the publication of the appellate judgment. It will be the responsibility of the plaintiffs to take steps for the reinstatement of the action in the forms and within the time limits prescribed by law.

* * * * * * * *

Furthermore, it should be noted that the Explanatory Notes to the consolidated financial statements at 31 December 2016 provide information on criminal proceedings that involve Group companies for various reasons. With respect to the information reported in the abovementioned financial statements, to which the reader is referred for more details, we highlight the following updates with reference to criminal proceedings pending against some Group companies or Leonardo, and some former directors, as well as executives for facts committed in the performance of their duties at Group companies or at Leonardo:

- with reference to the proceedings brought by the Rome Public Prosecutor's Office against Leonardo as to the administrative unlawful act under Article 25 of Legislative Decree 231/2001 – for the crimes under Articles 321 and 322-*bis* of the Italian Criminal Code attributed to the then Sales Manager of the Company in relation to the supply contracts concluded with the Panama Government in 2010, whose criminal proceedings are pending before the Court of Rome – the preliminary hearing has been set at 21 September 2017 following the request for committal for trial submitted by the Public Prosecutor;
- with reference to the criminal proceedings brought by the Busto Arsizio Public Prosecutor's Office against two former managing directors and a former executive of AgustaWestland S.p.A., for the crimes under Articles 2 of Legislative Decree no. 74/2000, as well as 81 and 110 of the Italian Criminal Code – within the contract relationships maintained by AgustaWestland S.p.A. with a foreign company in relation to the contracts entered into with the Algerian Ministry of Defence – the preliminary hearing was initially set at 25 July 2017

following the request for committal for trial submitted by the Public Prosecutor and then was subsequently postponed to 24 October 2017;

- with reference to the criminal proceedings brought against some directors of the then Breda Termomeccanica S.p.A., subsequently Ansaldo S.p.A., who served during the period from 1973 to 1985, charged with having committed the crimes under Article 589, paragraphs 1, 2 and 3, Article 40, paragraph 2, Article 41, paragraph 1, of the Italian Criminal Code, Article 2087 of the Italian Civil Code and Article 590, paragraphs 1, 2, 3, 4 and 5, of the Italian Criminal Code, for violation of the rules governing the prevention of occupational diseases, in relation to which Leonardo appeared before the court as person liable for damages, the Court of Milan handed down an acquittal judgment on 15 June 2017;
- criminal proceedings are pending before the Vercelli Public Prosecutor's Office against three former employees of AgustaWestland S.p.A (currently working for Leonardo – Helicopters Division) for the crime under Article 449 of the Italian Criminal Code in relation to Articles 428 and 589 of the Italian Criminal Code, with reference to the accident that occurred in Santhià on 30 October 2015.

16. EMPLOYEE BENEFITS

	30 June 2017			**31 December 2016**		
	Liabilities	**Assets**	**Net**	**Liabilities**	**Assets**	**Net**
Severance pay provision	331	-	331	340	-	340
Defined-benefit plans	254	379	(125)	338	367	(29)
Defined contribution plans	20	-	20	24	-	24
	605	**379**	**226**	**702**	**367**	**335**

The item was affected by a review of the UK pension plans, which led to the reassessment of the future liabilities.

17. OTHER CURRENT AND NON-CURRENT LIABILITIES

	30 June 2017		31 December 2016	
	Non-current	Current	Non-current	Current
Employee obligations	44	404	47	322
Deferred income	112	97	114	93
Amounts due to social security institutions	-	174	-	164
Payables to MED (Law no. 808/85)	286	77	307	106
Payables to MED for royalties (Law no. 808/85)	204	28	196	31
Other liabilities (Law no. 808/85)	188	-	190	-
Indirect tax liabilities	-	95	-	119
Derivatives	-	232	-	337
Other liabilities	302	736	301	868
Other payables to related parties (Note 27)	-	22	-	166
	1,136	**1,865**	**1,155**	**2,206**

The decrease in other current liabilities is mainly attributable to the fair value measurement of derivative liabilities and to lower payables to GIE ATR.

"Other liabilities" include, in particular, the payable due to Bell Helicopter of €mil. 263 (€mil. 275 at 31 December 2016), deriving from the acquisition of 100% of the AW609 programme.

18. TRADE PAYABLES, INCLUDING PROGRESS PAYMENTS AND ADVANCES FROM CUSTOMERS

	30 June 2017	31 December 2016
Suppliers	2,659	2,762
Trade payables to related parties (Note 27)	86	76
Trade payables	**2,745**	**2,838**
Progress payments and advances from customers	6,793	6,457
	9,538	**9,295**

19. REVENUE

	For the Six months ended 30 June	
	2017	2016
Revenue from sales	2,919	3,041
Revenue from services	1,240	1,414
Change in work in progress	429	70
Revenue from related parties (Note 27)	738	888
	5,326	**5,413**

The trends in revenue by business segment are fully described in the Report on Operations.

20. OTHER OPERATING INCOME (EXPENSES)

	For the Six months ended 30 June					
	2017			2016		
	Income	Expenses	Net	Income	Expenses	Net
Grants for research and development costs	12	-	12	17	-	17
Exchange rate differences on operating items	58	(55)	3	82	(62)	20
Indirect taxes	-	(17)	(17)	-	(17)	(17)
Restructuring costs	-	(1)	(1)	-	(4)	(4)
Reversal of (accruals to) provisions for risks and contract losses	138	(64)	74	205	(103)	102
Other	18	(22)	(4)	21	(22)	(1)
Other from/to related parties (Note 27)	2	-	2	3	-	3
	228	**(159)**	**69**	**328**	**(208)**	**120**

21. PURCHASES AND PERSONNEL EXPENSES

	For the Six months ended 30 June	
	2017	2016
Purchases	1,712	1,894
Services	1,496	1,580
Costs to related parties (Note 27)	163	60
Personnel expenses	1,588	1,617
Wages, salaries and contributions	*1,435*	*1,467*
Defined-benefit plans costs	*23*	*34*
Defined contribution plans costs	*54*	*53*
Net restructuring costs	*28*	*15*
Other personnel expenses	*48*	*48*
Change in finished goods, work in progress and semi-finished products	(64)	(129)
Work performed by the Group and capitalised	(136)	(158)
	4,759	**4,864**

Purchases and personnel expenses decreased consistently with the trend of revenue. Specifically, personnel expense decreased by €mil. 29, as a result of the reduction in workforce, although restructuring costs increased by €mil. 13. The average workforce at 30 June 2017 significantly decreased (- 1,001 units) compared to 30 June 2016, mainly due to the reorganisation processes in *Electronics, Defence & Security Systems* (-140 average resources net of the effects of the sale of ED Contact and Electron, with an increase of 70 units in Italy and a reduction of 210 units abroad) and in *Helicopters* (-644 average resources, of which -144 in Italy and -500 abroad).

The breakdown of the total workforce is as follows:

	30 June 2017	31 December 2016	Change
Senior managers (*)	1,142	1,134	8
Middle managers	5,338	5,301	37
Clerical employees	26,871	26,915	(44)
Manual labourers (**)	12,304	12,281	23
	45,655	**45,631**	**24**

(*) *include pilots*
(**) *include senior manual labourers*

The breakdown of the total workforce by sector is as follows:

	30 June 2017	31 December 2016
Helicopters	11,709	11,874
Electronics, Defence & Security Systems	22,345	22,174
Aeronautics	10,340	10,367
Other	1,261	1,216
	45,655	**45,631**

22. AMORTISATION, DEPRECIATION AND IMPAIRMENT LOSSES

	For the Six months ended 30 June			
	2017		2016	
Amortisation of intangible assets		136		162
Development costs	*16*		*33*	
Non-recurring costs	*44*		*50*	
Acquired through business combinations	*50*		*48*	
Concessions, licences and trademarks	*8*		*8*	
Other intangible assets	*18*		*23*	
Depreciation of property, plant and equipment		178		183
Impairment of operating receivables		6		14
Impairment of other assets		7		3
		327		**362**

23. FINANCIAL INCOME AND EXPENSES

	For the Six months ended 30 June					
	2017			2016		
	Income	Expenses	Net	Income	Expenses	Net
Interest	2	(135)	(133)	3	(135)	(132)
Loan fees	-	(7)	(7)	-	(7)	(7)
Other commissions	-	(2)	(2)	1	(4)	(3)
Fair value gains (losses) through profit or loss	29	(18)	11	36	(14)	22
Premiums (paid) received on forwards	16	(18)	(2)	16	(14)	2
Exchange rate differences	89	(96)	(7)	196	(184)	12
Net interest cost on defined-benefit plans	-	(2)	(2)	-	(3)	(3)
Financial income (expenses) - related parties (Note 27)	5	(1)	4	1	(2)	(1)
Other financial income and expenses	11	(32)	(21)	21	(29)	(8)
	152	**(311)**	**(159)**	**274**	**(392)**	**(118)**

The increase in financial expenses is due to positive exchange differences from which the first half of 2016 benefitted, which were reflected also in the fair value of derivatives: the two items generate an overall worsening equal to €mil. 30.

Furthermore, the other financial income included in 2016 the capital gain (€mil.10) related to the transfer of the Fata Group.

24. SHARE OF PROFITS (LOSSES) OF EQUITY-ACCOUNTED INVESTEES

	For the Six months ended 30 June	
	2017	**2016**
Space Alliance	27	29
MBDA	16	11
GIE ATR	48	52
Strategic Joint Ventures	**91**	**92**
Other	4	7
	95	**99**

25. EARNINGS PER SHARE

	For the Six months ended 30 June	
	2017	**2016**
Average shares outstanding during the reporting period (in thousands)	574,412	576,042
Earnings for the period (excluding non-controlling interests) (€ millions)	194	210
Earnings from continuing operations (excluding non-controlling interests) (€ millions)	194	210
Earnings from discontinued operations (excluding non-controlling interests) (€ millions)	-	-
Basic and Diluted EPS (€)	**0.338**	**0.365**
Basic and Diluted EPS from continuing operations (€)	0.338	0.365
Basic and Diluted EPS from discontinued operations (€)	n.a.	n.a

At 30 June 2017 basic EPS, like that for the corresponding period of 2016, is equal to the diluted EPS, inasmuch as there are no dilutive elements.

26. CASH FLOW FROM OPERATING ACTIVITIES

	For the Six months ended 30 June	
	2017	**2016**
Net result	194	210
Amortisation, depreciation and impairment losses	327	362
Share of profits/(losses) of equity-accounted investees	(95)	(99)
Income taxes	51	78
Costs for defined-benefit plans	23	34
Net financial expenses/(income)	159	118
Net allocations to the provisions for risks and inventory write-downs	35	10
Profit from discontinued operations	-	-
Other non-monetary items	23	9
	717	**722**

The changes in working capital, net of the effects of the acquisition and sale of consolidated companies and foreign currency translation differences, are as follows:

	For the Six months ended 30 June	
	2017	**2016**
Inventories	(265)	(130)
Contract work in progress and progress payments and advances from customers	(208)	(520)
Trade receivables and payables	(164)	(301)
	(637)	**(951)**

27. RELATED PARTY TRANSACTIONS

Related party transactions are carried out at arm's length, as is settlement of the interest-bearing receivables and payables when not governed by specific contractual conditions. The relevant financial statements amounts are shown below. The statement of cash flows presents the impact of related party transactions on cash flows.

RECEIVABLES at 30 June 2017	Non-current loans and receivables	Other non-current receivables	Current loans and receivables	Trade receivables	Other current receivables	Total
Unconsolidated subsidiaries						
Other with unit amount lower than €mil. 10			2	1		3
Associates						
NH Industries SAS				170		170
Eurofighter Jagdflugzeug GmbH				89		89
Iveco - Oto Melara Scarl				27		27
Orizzonte - Sistemi Navali SpA				14		14
Macchi Hurel Dubois SAS				24		24
Other with unit amount lower than €mil. 10			1	31		32
Joint Ventures						
GIE ATR				36	43	79
Joint Stock Company Helivert				46		46
MBDA SAS				28		28
Thales Alenia Space SAS			44	20		64
Telespazio SpA			9			9
Rotorsim USA LLC				10		10
Other with unit amount lower than €mil. 10				11	3	14
Consortia (*)						
Other with unit amount lower than €mil. 10			3	13		16
Companies subject to the control or considerable influence of the MEF						
ENAV SpA				20		20
Poste Italiane SpA				11		11
Fintecna S.p.A.				10		10
Other with unit amount lower than €mil. 10				12		12
Total	**-**	**-**	**59**	**573**	**46**	**678**
% against total for the period	***n.a.***	***n.a.***	***52.2%***	***16.9%***	***9.3%***	

RECEIVABLES at 31 December 2016	Non-current loans and receivables	Other non-current receivables	Current loans and receivables	Trade receivables	Other current receivables	Total
Unconsolidated subsidiaries						
Other with unit amount lower than €mil. 10				10		10
Associates						
NH Industries SAS				198		198
Eurofighter Jagdflugzeug GmbH				76		76
Iveco - Oto Melara Scarl				36		36
Macchi Hurel Dubois SAS				20		20
Orizzonte - Sistemi Navali SpA				23		23
Other with unit amount lower than €mil. 10			1	33	1	35
J.V.						
GIE ATR				61		61
Joint Stock Company Helivert				53		53
MBDA SAS				22	1	23
Thales Alenia Space SAS			34	21	1	56
Telespazio SpA	1		2	12		15
Rotorsim USA LLC				10		10
Other with unit amount lower than €mil. 10				2	1	3
Consortia (*)						
Other with unit amount lower than €mil. 10			3	15		18
Companies subject to the control or considerable influence of the MEF						
Other with unit amount lower than €mil. 10				75		75
Total	**1**	**-**	**40**	**667**	**4**	**712**
% against total for the period	***3.6%***	***n.a.***	***40.8%***	***19.5%***	***1.0%***	

PAYABLES at 30 June 2017	**Non-current loans and borrowings**	**Other non-current borrowings**	**Current loans and borrowings**	**Trade payables**	**Other current payables**	**Total**	**Guarantees**
Associates							
Eurofighter Jagdflugzeug GmbH			40	20		60	
Other with unit amount lower than €mil. 10			4	23	6	33	
Joint Ventures							
MBDA SAS			465			465	47
Rotorsim USA LLC				12		12	
Telespazio SpA						-	214
Other with unit amount lower than €mil. 10				17	10	27	
Consortia (*)							
Other with unit amount lower than €mil. 10				2		2	
Companies subject to the control or considerable influence of the MEF							
Enel SpA				10		10	
Other with unit amount lower than €mil. 10			1	2	6	9	
Total	**-**	**-**	**510**	**86**	**22**	**618**	**261**
% against total for the period	***n.a.***	***n.a.***	***40.3%***	***3.1%***	***1.4%***		

PAYABLES at 31 December 2016	**Non-current loans and borrowings**	**Other non-current borrowings**	**Current loans and borrowings**	**Trade payables**	**Other current payables**	**Total**	**Guarantees**
Unconsolidated subsidiaries							
Other with unit amount lower than €mil. 10			4	5		9	
Associates							
Eurofighter Jagdflugzeug GmbH			38			38	
Other with unit amount lower than €mil. 10			4	25	5	34	
Joint Ventures							
GIE ATR				2	148	150	
MBDA SAS			440	7	1	448	47
Rotorsim USA LLC				14		14	
Telespazio SpA			14	1	5	20	228
Other with unit amount lower than €mil. 10				11		11	
Consortia (*)							
Other with unit amount lower than €mil. 10				2	1	3	
Companies subject to the control or considerable influence of the MEF							
Other with unit amount lower than €mil. 10			2	9	6	17	
Total	**-**	**-**	**502**	**76**	**166**	**744**	**275**
% against total for the period	***n.a.***	***n.a.***	***39.6%***	***2.7%***	***9.3%***		

(*) *Consortia over which the Group exercises considerable influence or which are subject to joint control*

Trade receivables are commented on later, along with revenue from related parties. Loans and receivables mainly refer to receivables from joint ventures. Loans and borrowings from related parties include in particular the amount of €mil. 465 (€mil. 440 at 31 December 2016) due by Group companies to the joint venture MBDA and payables for €mil. 40 (€mil. 38 at 31 December 2016) to Eurofighter.

For the Six months ended 30 June 2017	Revenue	Other operating income	Costs	Other operating costs	Financial income	Financial expenses
Unconsolidated subsidiaries						
Other with unit amount lower than €mil. 10			1			
Associates						
Eurofighter Jagdflugzeug GmbH	294		101			
NH Industries SAS	62					
Orizzonte - Sistemi Navali SpA	95					
Iveco-Oto Melara Scarl	33					
Macchi Hurel Dubois SAS	34					
Other with unit amount lower than €mil. 10	16		9			
Joint Ventures						
GIE ATR	92					
MBDA SAS	31					
Thales Alenia Space SAS	25					
Rotorsim Srl			11			
Other with unit amount lower than €mil. 10	5	2	11			1
Consortia (*)						
Other with unit amount lower than €mil. 10	1		1			
Companies subject to the control or considerable influence of the MEF						
Enel SpA			28			
ENAV SpA	19					
Poste Italiane SpA	16					
Other with unit amount lower than €mil. 10	15		1		5	
Total	**738**	**2**	**163**	**-**	**5**	**1**
% against total for the period	***13.9%***	***0.9%***	***3.4%***	***n.a.***	***3.3%***	***0.3%***

For the Six months ended 30 June 2016	Revenue	Other operating income	Costs	Other operating costs	Financial income	Financial expenses
Unconsolidated subsidiaries						
Other with unit amount lower than €mil. 10	1		2			
Associates						
Eurofighter Jagdflugzeug GmbH	315					
NH Industries SAS	111					
Orizzonte - Sistemi Navali SpA	104					
Iveco-Oto Melara Scarl	30					1
Macchi Hurel Dubois SAS	34					
Other with unit amount lower than €mil. 10	17		10			
Joint Ventures						
GIE ATR	160		22			
MBDA SAS	23					1
Thales Alenia Space SAS	36					
Superjet International SpA	11				1	
Other with unit amount lower than €mil. 10	5	2	16			
Consortia (*)						
Other with unit amount lower than €mil. 10	1					
Companies subject to the control or considerable influence of the MEF						
Other with unit amount lower than €mil. 10	40	1	10			
Total	**888**	**3**	**60**	**-**	**1**	**2**
% against total for the period	***16.4%***	***0.9%***	***1.2%***	***n.a.***	***0.4%***	***0.5%***

(*) Consortia over which the Group exercises considerable influence or which are subject to joint control

The most significant trade receivables and revenues, in addition to those from joint ventures, are related to:

- Eurofighter in the scope of the EFA aeronautical programme;
- the Iveco - OTO Melara consortium for production and post-sales assistance on defence and security ground vehicles (VBM Freccia and spare parts);
- NHIndustries in the scope of the NH90 helicopter programme;
- Orizzonte - Sistemi Navali for the FREMM programme;
- Macchi Hurel Dubois for the commercialisation of nacelles.

For the Board of Directors

The Chairman

Giovanni De Gennaro

Annex: scope of consolidation

List of companies consolidated on a line-by-line basis (amounts in foreign currency)

Company name	*Registered office*	*Currency*	*Share capital*	*% Group ownership Direct*	*% Group ownership Indirect*	*% Group shareholding*
3083683 NOVA SCOTIA LIMITED	Halifax, Nova Scotia (Canada)	CAD	-		100	100
AGUSTA AEROSPACE SERVICES AAS SA	Grace Hollogne (Belgium)	EUR	500,000		100.00	100
AGUSTAWESTLAND AUSTRALIA PTY LTD	Sydney (Australia)	AUD	400,000	100		100
AGUSTAWESTLAND DO BRASIL LTDA	Sao Paulo (Brazil)	BRL	11,817,172		100	100
AGUSTAWESTLAND HOLDINGS LTD	Yeovil, Somerset (UK)	GBP	40,000	100		100
AGUSTAWESTLAND INDIA PRIVATE LTD	New Delhi (India)	INR	11,519,450		100	100
AGUSTAWESTLAND INTERNATIONAL LTD	Yeovil, Somerset (UK)	GBP	511,000		100.00	100
AGUSTAWESTLAND LTD	Yeovil, Somerset (UK)	GBP	1,520,304		100	100
AGUSTAWESTLAND MALAYSIA SDN BHD	Kuala Lumpur (Malaysia)	MYR	2,500,000		100	100
AGUSTAWESTLAND NORTH AMERICA INC	Wilmington, Delaware (USA)	USD	1		100	100
AGUSTAWESTLAND PHILADELPHIA CO	Wilmington, Delaware (USA)	USD	20,000,000	100		100
AGUSTAWESTLAND POLITECNICO ADVANCED ROTORCRAFT CENTER SC A RL (IN LIQ.)	Milan	EUR	400,000		80	80
AGUSTAWESTLAND PORTUGAL SA	Lisbon (Portugal)	EUR	100,000		100	100
AGUSTAWESTLAND SPA	Rome	EUR	702,537,000	100		100
ALENIA AERMACCHI SPA	Rome	EUR	250,000,000	100		100
ANSALDOBREDA SPA	Naples	EUR	55,839,139	100		100
BREDAMENARINIBUS SPA	Bologna	EUR	1,300,000	100		100
DAYLIGHT SOLUTIONS INC.	Wilmington, Delaware (USA)	USD	1		100	100
DAYLIGHT DEFENCE LLC	Wilmington, Delaware (USA)	USD	1		100	100
DRS ADVANCE ISR LLC	Wilmington, Delaware (USA)	USD	-		100	100
DRS C3 & AVIATION COMPANY	Wilmington, Delaware (USA)	USD	1		100	100
DRS CONSOLIDATED CONTROLS INC	Wilmington, Delaware (USA)	USD	1		100	100
DRS DEFENSE SOLUTIONS LLC	Wilmington, Delaware (USA)	USD	-		100	100
DRS ENVIRONMENTAL SYSTEMS INC	Wilmington, Delaware (USA)	USD	2		100	100
DRS GLOBAL ENTERPRISE SOLUTIONS INC.	Baltimore, Maryland (USA)	USD	50		100	100
DRS HOMELAND SECURITY SOLUTIONS INC	Wilmington, Delaware (USA)	USD	1		100	100
DRS INTERNATIONAL INC	Wilmington, Delaware (USA)	USD	1		100	100
DRS NETWORK & IMAGING SYSTEMS LLC	Wilmington, Delaware (USA)	USD	1		100	100
DRS POWER & CONTROL TECHNOLOGIES INC	Wilmington, Delaware (USA)	USD	1		100	100
DRS POWER TECHNOLOGY INC	Wilmington, Delaware (USA)	USD	1		100	100
DRS RADAR SYSTEMS LLC	Wilmington, Delaware (USA)	USD	-		100	100
DRS SIGNAL SOLUTIONS INC	Wilmington, Delaware (USA)	USD	10		100	100
DRS SURVEILLANCE SUPPORT SYSTEMS INC	Wilmington, Delaware (USA)	USD	1		100	100
DRS SUSTAINMENT SYSTEMS INC	Wilmington, Delaware (USA)	USD	1,000		100	100
DRS SYSTEMS MANAGEMENT LLC	Wilmington, Delaware (USA)	USD	1		100	100
DRS SYSTEMS INC	Wilmington, Delaware (USA)	USD	1		100	100
DRS TACTICAL SYSTEMS LIMITED	Farnham, Surrey (UK)	GBP	1,000		100	100
DRS TECHNICAL SERVICES GMBH & CO KG	Stuttgart (Germany)	EUR	-		100	100
DRS TECHNOLOGIES CANADA INC	Wilmington, Delaware (USA)	USD	1		100	100
DRS TECHNOLOGIES CANADA LTD	Kanata, Ontario (Canada)	CAD	100		100	100
DRS TECHNOLOGIES SAUDI ARABIA LLC	Riyadh (Saudi Arabia)	SAR	2,000,000		49	100
DRS TECHNOLOGIES UK LIMITED	Farnham, Surrey (UK)	GBP	14,676,000		100	100
DRS TECHNOLOGIES VERWALTUNGS GMBH	Baden-Wurttemberg (Germany)	EUR	25,000		100	100
DRS TECHNOLOGIES INC	Wilmington, Delaware (USA)	USD	1		100	100
DRS TRAINING & CONTROL SYSTEMS LLC	Tallahassee (USA)	USD	510		100.0	100
DRS TSI INTERNATIONAL LLC	Wilmington, Delaware (USA)	USD	-		100	100
DRS UNMANNED TECHNOLOGIES INC	Wilmington, Delaware (USA)	USD	1		100	100
ENGINEERED COIL COMPANY	Jefferson City (USA)	USD	1,000		100	100
ENGINEERED SUPPORT SYSTEMS INC	Jefferson City (USA)	USD	1		100	100
ESSI RESOURCES LLC	Frankfort (USA)	USD	-		100	100
FATA LOGISTIC SYSTEMS SPA	Pianezza (Turin)	EUR	100,000		100	100
GLOBAL NETWORK SERVICES LLC	Wilmington, Delaware (USA)	USD	1		100	100
LARIMART SPA	Rome	EUR	2,500,000	60		60
LASERTEL INC	Tucson, Arizona (USA)	USD	10		100	100
LAUREL TECHNOLOGIES PARTNERSHIP	Wilmington, Delaware (USA)	USD	-		100	100
LEONARDO GLOBAL SOLUTIONS SPA	Rome	EUR	49,945,983	100		100
LEONARDO MW LTD	Basildon, Essex (UK)	GBP	270,000,100	100		100
LEONARDO US AIRCRAFT, INC. ex ALENIA AERMACCHI NORTH AMERICA INC.	Wilmington, Delaware (USA)	USD	44		100	100
LEONARDO US HOLDING, INC ex MECCANICA HOLDINGS USA INC.	Wilmington, Delaware (USA)	USD	10	100		100
OTO MELARA IBERICA SAU	Loriguilla, Valencia (Spain)	EUR	120,000	100		100
OTO MELARA NORTH AMERICA LLC	Wilmington, Delaware (USA)	USD	10,000		100	100
PCA ELECTRONIC TEST LTD	Grantham, Lincolnshire (UK)	GBP	1		100	100
PIVOTAL POWER INC	Halifax, Nova Scotia (Canada)	CAD	-		100	100
REGIONALNY PARK PRZEMYSLOWY SWIDNIK SP Z OO	Mechaniczna 13 - U1, Swidnik (Poland)	PLN	7,072,000		74	73
S.C. ELETTRA COMMUNICATIONS SA	Ploiesti (Romania)	RON	10,847,960		100	100
SELEX ELSAG LTD	Basildon, Essex (UK)	GBP	25,800,100		100	100
SELEX ES AUSTRALIA PTY LTD	Canberra (Australia)	AUD	2		100	100
SELEX ES DO BRASIL LTDA	Rio de Janeiro (Brazil)	BRL	5,686,457	-	100	100
SELEX ES ELEKTRONIK TURKEY AS	Ankara (Turkey)	TRY	79,557,009	-	99.9986	100
SELEX ES GMBH	Neuss (Germany)	EUR	2,500,000		100	100
SELEX ES INC	Wilmington, Delaware (USA)	USD	1		100	100
SELEX ES INDIA PRIVATE LTD	New Delhi (India)	INR	30,100,000		100	100
SELEX ES INTERNATIONAL LTD	Basildon, Essex (UK)	GBP	60,000,000	100		100
SELEX ES LTD	Basildon, Essex (UK)	GBP	71,500,001		100.0000	100
SELEX ES MALAYSIA SDN BHD	Kuala Lumpur (Malaysia)	MYR	500,000		100	100
SELEX ES SPA	Rome	EUR	1,000,000	100		100
SELEX ES SAUDI ARABIA LTD	Riyadh (Saudi Arabia)	SAR	500,000		100	100
SELEX ES TECHNOLOGIES LTD	Nairobi (Kenya)	KES	109,600,000	4,11	95,89	100
SELEX GALILEO INC	Wilmington, Delaware (USA)	USD	17,750,000		100	100
SELEX SERVICE MANAGEMENT SPA (IN LIQ.)	Rome	EUR	3,600,000		100	100
SISTEMI DINAMICI SPA	Pisa	EUR	200,000	100		100
SO.GE.PA. - SOCIETA` GENERALE DI PARTECIPAZIONI SPA	Rome	EUR	1,000,000	100		100
T - S HOLDING CORPORATION	Austin, Texas (USA)	USD	280,000		100	100
TECH-SYM LLC	Reno, Nevada (USA)	USD	10		100	100
TTI TACTICAL TECNOLOGIES INC	Ottawa (Canada)	CAD	2,500,001		100	100
VEGA CONSULTING SERVICES LTD	Welwyn Garden City, Herts (UK)	GBP	1,098,839		100	100
VEGA DEUTSCHLAND GMBH	Cologne (Germany)	EUR	25,700		100	100
WESTLAND SUPPORT SERVICES LTD	Yeovil, Somerset (UK)	GBP	5,000		100	100
WORLD'S WING SA	Geneva (Switzerland)	CHF	120,100,000	100		100
WYTWORNIA SPRZETU KOMUNIKACYJNEGO ``PZL-SWIDNIK`` SPOLKA AKCYJNA	Aleja Lotnikow, Swidnik (Poland)	PLN	86,006,050	99		99
ZAKLAD OBROBKI PLASTYCZNEJ SP Z OO	Kuznicza 13 - U1, Swidnik (Poland)	PLN	3,800,000		100	99

List of companies consolidated using the equity method (amounts in foreign currency)

Company name	Registered office	Currency	Share capital	% Group ownership Direct	Indirect	% Group shareholding
A4ESSOR SAS	Neuilly Sur Seine (France)	EUR	100,000	21		21
ABU DHABI SYSTEMS INTEGRATION LLC	Abu Dhabi (United Arab Emirates)	AED	1,150,000	43.04		43
ADVANCED ACOUSTIC CONCEPTS LLC	Wilmington, Delaware (USA)	USD	-		51	51
ADVANCED AIR TRAFFIC SYSTEMS SDN BHD	Kuala Lumpur (Malaysia)	MYR	5,000,000		30	30
AGUSTAWESTLAND AVIATION SERVICES LLC	Abu Dhabi (United Arab Emirates)	AED	10,000	30		30
ALENIA NORTH AMERICA-CANADA CO	Halifax, Nova Scotia (Canada)	CAD	1	100		100
AMSH BV	Rotterdam (the Netherlands)	EUR	36,296,316	50		50
ANSALDO-EMIT SCRL (IN LIQ)	Genoa	EUR	10,200		50	50
ATITECH MANUFACTURING SRL	Naples	EUR	10,000	25		25
AVIATION TRAINING INTERNATIONAL LTD	Sherborne (UK)	GBP	550,000		50	50
AVIO SPA	Rome	EUR	90,761,670	28		28
C-27J AVIATION SERVICES INC.	Ottawa (Canada)	CAD	10,000		30.0	30
CARDPRIZE TWO LIMITED	Basildon, Essex (UK)	GBP	1		100	100
CONSORZIO ATR GIE	Toulouse (France)	USD	-		50	50
CONSORZIO TELAER (IN LIQ.)	Rome	EUR	103,291		100	67.5
DISTRETTO TECNOLOGICO AEROSPAZIALE SC A RL	Brindisi	EUR	150,000	24		24.0
E - GEOS SPA	Matera	EUR	5,000,000		80	54
ELETTRONICA SPA	Rome	EUR	9,000,000	31.3		31.3
EUROFIGHTER AIRCRAFT MANAGEMENT GMBH (IN LIQ.)	Hallbergmoos (Germany)	EUR	127,823	21		21.0
EUROFIGHTER JAGDFLUGZEUG GMBH	Hallbergmoos (Germany)	EUR	2,556,459	21		21
EUROFIGHTER SIMULATION SYSTEMS GMBH	Hallbergmoos (Germany)	EUR	260,000	24		24
EUROMIDS SAS	Paris (France)	EUR	40,500	25		25
EUROSYSNAV SAS (IN LIQ.)	Paris (France)	EUR	40,000	50		50
EUROTECH SPA	Amaro (Udine)	EUR	8,878,946	11		11
FINMECCANICA UK LTD	Yeovil, Somerset (UK)	GBP	1,000		100	100
GAF AG	Munich (Germany)	EUR	256,000		100	53.6
GULF SYSTEMS LOGISTICS SERVICES COMPANY WLL	Kuwait City (Kuwait)	KWD	75,000		40	40
IAMCO - INTERNATIONAL AEROSPACE MANAGEMENT COMPANY SCRL	Mestre (Venice)	EUR	208,000	25		25
ICARUS SCPA (IN LIQ.)	Turin	EUR	10,268,400		53	53
INDIAN ROTORCRAFT LTD	Hyderabad (India)	INR	429,337,830	26		26
IVECO - OTO MELARA SC A RL	Rome	EUR	40,000	50		50
JIANGXI CHANGHE AGUSTA HELICOPTER CO LTD	Zone Jiangxi Province (China)	USD	6,000,000	40		40
JOINT STOCK COMPANY HELIVERT	Moscow (Russia)	RUR	10,000	50		50
LEONARDO DO BRASIL LTDA ex FINMECCANICA DO BRASIL LTDA	Brasilia (Brazil)	BRL	1,203,200	100	-	100
LEONARDO ELECTRONICS PENSION SCHEME (TRUSTEE) LTD	Basildon, Essex (UK)	GBP	100		100	100
LIBYAN ITALIAN ADVANCED TECHNOLOGY CO	Tripoli (Libya)	EUR	8,000,000	25	25	50
MACCHI HUREL DUBOIS SAS	Versailles (France)	EUR	100,000	50		50
MBDA SAS	Paris (France)	EUR	53,824,000		50	25
NHINDUSTRIES (SAS)	Aix en Provence (France)	EUR	306,000	32		32
ORIZZONTE - SISTEMI NAVALI SPA	Genoa	EUR	20,000,000	49		49
OTO MELARA DO BRASIL LTDA	Rio de Janeiro (Brazil)	BRL	1,500,000	100	-	100
RARTEL SA	Bucharest (Romania)	RON	468,500		61	41
ROTORSIM SRL	Sesto Calende (Varese)	EUR	9,800,000	50		50
ROTORSIM USA LLC	Wilmington, Delaware (USA)	USD	12.607.452		50	50
SAPHIRE INTERNATIONAL AVIATION & ATC ENGINEERING CO LTD	Beijing (China)	USD	800,000		65	65
SELEX ES FOR TRADING OF MACHINERY EQUIPMENT AND DEVICES LTD	Kuwait City (Kuwait)	KWD	807,000		93	93
SELEX ES (PROJECTS) LTD	Basildon, Essex (UK)	GBP	100		100	100
SPACEOPAL GMBH	Munich (Germany)	EUR	500,000		50	34
TELESPAZIO ARGENTINA SA	Buenos Aires (Argentina)	ARS	9,900,000		100	67
TELESPAZIO BRASIL SA	Rio de Janeiro (Brazil)	BRL	58,724,000		99	66
TELESPAZIO FRANCE SAS	Toulouse (France)	EUR	33,670,000		100	67
TELESPAZIO IBERICA SL	Barcelona (Spain)	EUR	2,230,262		100	67
TELESPAZIO LATIN AMERICA LTDA	Rio de Janeiro (Brazil)	BRL	56,444,390		100	67
TELESPAZIO NORTH AMERICA INC. (IN LIQ.)	Dover, Delaware (USA)	USD	10		100.0	67
TELESPAZIO SPA	Rome	EUR	50,000,000	67		67
TELESPAZIO VEGA DEUTSCHLAND GMBH	Darmstadt (Germany)	EUR	44,150		100	67
TELESPAZIO VEGA UK LTD	Luton (UK)	GBP	30,000,100		100	67
TELESPAZIO VEGA UK SL	Madrid (Spain)	EUR	3,100		100	67
THALES ALENIA SPACE SAS	Cannes La Bocca (France)	EUR	979,240,000	33		33
WIN BLUEWATER SERVICES PRIVATE LIMITED	New Delhi (India)	INR	12,000,000	100	-	100
ZAO ARTETRA	Moscow (Russia)	RUB	353,000		51	51

List of subsidiaries and associates valued at cost (amounts in foreign currency)

Company name	Registered office	Currency	Share capital	% Group ownership Direct	Indirect	% Group shareholding
ADVANCED MALE AIRCRAFT LLC	Al Ain, Muwaiji (United Arab Emirates)	AED	200,000	49		49
ANSALDOBREDA FRANCE SAS (IN LIQ)	Marseille (France)	EUR	200,000		100	100
ATITECH SPA	Naples	EUR	6,500,000	25		25
CCRT SISTEMI SPA (IN FALL)	Milan	EUR	697,217		30	30
CHONGQING CHUANYI ANSALDOBREDA RAILWAY TRANSPORT. EQUIP.CO.LTD	Chongqing (China)	CNY	50,000,000		50	50
EARTHLAB LUXEMBOURG S.A.	Luxembourg (Luxembourg)	EUR	5,375,000		54.4	34
ELSACOM - UKRAINE JOINT STOCK COMPANY	Kiev (Ukraine)	UAH	7,945,000		49	49
INDUSTRIE AERONAUTICHE E MECCANICHE RINALDO PIAGGIO SPA (AMM.STR.)	Genoa	EUR	103,567	31		31
INMOVE ITALIA SRL	Naples	EUR	120,000		100	100
LEONARDO HELICOPTERS PENSION SCHEME (TRUSTEE) LTD	Yeovil, Somerset (UK)	GBP	1		100	100
PARTECH SYSTEMS PTY LTD	Yerriyong (Australia)	AUD	330		60	60

Below are the main changes in the scope of consolidation at 30 June 2017 in comparison with 30 June 2016:

COMPANY	EVENT	MONTH
Companies which entered the scope of consolidation:		
Sistemi Dinamici Spa	change of consolidation method	December 2016
Gruppo Daylight	purchase	June 2017
Companies which left the scope of consolidation:		
Selex ES Romania	deconsolidated	September 2016
LMATTS LLC	deconsolidated	September 2016
SELES ES Electro Optics (Overseas) Ltd	deconsolidated	October 2016
Sirio Panel Inc.	deconsolidated	October 2016
AgustaWestland Espana SL (in liq.)	deconsolidated	October 2016
AgustaWestland Properties Ltd	deconsolidated	November 2016
Superjet International Spa	amendment to shareholders' agreement	December 2016
Joint Stock Company Sukhoi Civil Aircraft	sold	December 2016
Atitech SpA	change of consolidation method	January 2016
Ed Contact Srl	sold	February 2017
Electron Italia Srl	sold	March 2017
WING NED B.V.	sold	March 2017
Eurofighter International Ltd (in liq.)	deconsolidated	May 2017
Telespazio Hungary Satellite Telecommunications Ltd (in liq.)	deconsolidated	June 2017
Merged companies:	**Merging company:**	
Fata Engineering SpA	SO.GE.PA. SpA	July 2016
Selex Sistemi Integrati SpA	SO.GE.PA. SpA	July 2016
Sirio Panel SpA	Leonardo SpA	January 2017
Companies which changed their name:	**New name:**	
Selex ES Ltd	Leonardo MW Ltd	September 2016
Closed Joint Stock Company Helivert	Joint Stock Company Helivert	September 2016
SELEX Systems Integration Ltd	SELEX ES Ltd	October 2016
SELEX Pension Scheme (Trustee) Limited	Leonardo Electronics Pension Scheme (Trustee) Limited	December 2016
AgustaWestland UK Pension Scheme (Trustee) Limited	Leonardo Helicopters Pension Scheme (Trustee) Limited	January 2017
Alenia Aermacchi North America Inc.	Leonardo US Aircraft Inc.	March 2017
Meccanica Holdings USA Inc.	Leonardo US Holding Inc.	March 2017
Finmeccanica Do Brasil LTDA	Leonardo Do Brasil LTDA	March 2017

Statement on the condensed consolidated half-year financial statements at 30 June 2017 pursuant to Art. 154-bis, paragraph 5 of Legislative Decree no. 58/98 as amended

1. The undersigned Alessandro Profumo Chief Executive Officer and Gian Piero Cutillo as the Officer in charge of financial reporting for Leonardo Società per azioni, certify, in accordance with Art. 154-bis, paragraphs 3 and 4 of Legislative Decree 58 of 24 February 1998:
    - the appropriateness of the financial statements with regard to the nature of the business and
    - the effective application of administrative and accounting procedures in preparing the condensed consolidated half-year financial statements at 30 June 2017.
2. In this respect it is noted that no significant matters arose.
3. It is also certified that:

   3.1 The condensed consolidated half-year financial statements:

    - were prepared in accordance with International Financial Reporting Standards endorsed by the European Community pursuant to Regulation (EC) 1606/2002 of the European Parliament and of the Council of 19 July 2002;
    - correspond to the entries in the books and accounting records;
    - were prepared in accordance with Article 154-ter of the aforesaid Legislative Decree 58/98 and subsequent amendments and integrations and they provide a true and fair view of the financial position and results of operations of the issuer and the companies included in the scope of consolidation.

   3.2 The directors' report on operations accompanying the condensed consolidated half-year financial statements provides a reliable analysis of the important events taking place in the first six months of the year and their impact on the condensed consolidated half-year financial statements, together with a description of the key risks and uncertainties for the remaining six months of the year. The directors' report on operations also includes a reliable analysis of significant transactions with related parties.

This statement also is made pursuant to and for the purposes of Art. 154-bis, paragraph 2, of Legislative Decree 58 of 24 February 1998.

Rome, 27 July 2017

Chief Executive Officer	Officer in charge of financial reporting
(Alessandro Profumo)	(Gian Piero Cutillo)

Independent Auditors' Report on the review of the condensed consolidated half-year financial statements at 30 June 2017

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(Translation from the Italian original which remains the definitive version)

Report on review of condensed consolidated half-year financial statements

To the shareholders of
Leonardo S.p.a.

Introduction

We have reviewed the accompanying condensed consolidated half-year financial statements of the Leonardo Group comprising the separate income statement, statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity and notes thereto, as at and for the six month period ended 30 June 2017. The parent's directors are responsible for the preparation of these condensed consolidated half-year financial statements in accordance with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34), endorsed by the European Union. Our responsibility is to express a conclusion on these condensed consolidated half-year financial statements based on our review.

Scope of Review

We conducted our review in accordance with Consob (the Italian Commission for Listed Companies and the Stock Exchange) guidelines set out in Consob resolution no. 10867 dated 31 July 1997. A review of condensed consolidated half-year financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the condensed interim consolidated financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated half-year financial statements of the Leonardo Group as at and for the six months ended 30 June 2017 have not been prepared, in all material respects, in accordance with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34), endorsed by the European Union.

Rome, 28 July 2017

KPMG S.p.A.

(signed on the original)

Renato Naschi
Director of Audit